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## **APPENDIX 3: ACCEPTABLE FORMS OF VERIFICATION**

## **GLOSSARY**

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## CHAPTER 5. DETERMINING INCOME AND CALCULATING RENT

### 5-1 Introduction

- A. Owners must determine the amount of a family's income before the family is allowed to move into assisted housing and at least annually thereafter. The amount of assistance paid on behalf of the family is calculated using the family's annual income less allowable deductions. HUD program regulations specify the types and amounts of income and deductions to be included in the calculation of annual and adjusted income.
- B. Although the definitions of annual and adjusted income used for the programs covered in this handbook have some similarities with rules used by the U.S. Internal Revenue Service (IRS), the tax rules are different from the HUD program rules.
- C. The most frequent errors encountered in reviews of annual and adjusted income determinations in tenant files fall in three categories:
  - 1. Applicants and tenants failing to fully disclose income information;
  - 2. Errors in identifying required income exclusions; and
  - 3. Incorrect calculations of deductions often resulting from failure to obtain third-party verification.

Careful interviewing and thorough verification can minimize the occurrence of these errors.

- D. Chapter 5 is organized as follows:
  - **Section 1: Determining Annual Income** discusses the requirements regarding annual income and the procedure for calculating a family's annual income when determining eligibility. This section also includes guidance on determining income from assets.
  - **Section 2: Determining Adjusted Income** describes the procedures and requirements for determining adjusted income based on allowable deductions.
  - **Section 3: Verification** presents the requirements for verifying information provided by applicants and tenants related to their eligibility.
  - **Section 4: Calculating Tenant Rent** discusses the methods for calculating the tenant's portion of rent under the different programs covered by this handbook.

## 5-2 Key Terms

- A. There are a number of technical terms used in this chapter that have very specific definitions established by federal statute or regulations, or by HUD. These terms are listed in Figure 5-1 and their definitions can be found in the Glossary to this handbook. It is important to be familiar with these definitions when reading this chapter.
- B. The terms “disability” and “persons with disabilities” are used in two contexts – for civil rights protections, and for program eligibility purposes. Each use has specific definitions.
1. When used in context of protection from discrimination or improving the accessibility of housing, the civil rights-related definitions apply.
  2. When used in the context of eligibility under multifamily subsidized housing programs, the program eligibility definitions apply.

**NOTE:** See the Glossary for specific definitions and paragraph 2-23 for an explanation of this difference.

**Figure 5-1: Key Terms**

<ul style="list-style-type: none"> <li>• Adjusted income</li> <li>• Annual income</li> <li>• Assets</li> <li>• Assistance payment</li> <li>• Assisted rent</li> <li>• Assisted tenant</li> <li>• Basic rent</li> <li>• Co-head of household</li> <li>• Contract rent</li> <li>• Dependent</li> <li>• Extremely low-income family</li> <li>• Foster adult</li> <li>• Foster children</li> <li>• Full-time student</li> <li>• Gross rent</li> <li>• Hardship exemption</li> <li>• Head of household</li> <li>• Housing assistance payment (HAP)</li> <li>• Income limit</li> </ul>	<ul style="list-style-type: none"> <li>• Live-in aide</li> <li>• Low-income family</li> <li>• Market rent</li> <li>• Minimum rent</li> <li>• Operating rent</li> <li>• Project Assistance Contract (PAC)</li> <li>• PRAC Operating Rent</li> <li>• Project Rental Assistance Contract (PRAC)</li> <li>• Project assistance payment</li> <li>• Project rental assistance payment</li> <li>• Tenant rent</li> <li>• Total tenant payment</li> <li>• Unearned income</li> <li>• Utility allowance</li> <li>• Utility reimbursement</li> <li>• Very low-income family</li> <li>• Welfare assistance</li> <li>• Welfare rent</li> </ul>
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## Section 1: Determining Annual Income

### 5-3 Key Regulations

This paragraph identifies the key regulatory citation pertaining to Section 1: Determining Annual Income. The citation and its title are listed below.

- 24 CFR 5.609 Annual Income

### 5-4 Key Requirements

- A. Annual income is the amount of income that is used to determine a family's eligibility for assistance. Annual income is defined as follows:
  1. All amounts, monetary or not, that go to or are received on behalf of the family head, spouse or co-head (even if the family member is temporarily absent), or any other family member; or
  2. All amounts anticipated to be received from a source outside the family during the 12-month period following admission or annual recertification effective date.
- B. Annual income includes all amounts that are not specifically excluded by regulation. Exhibit 5-1, Income Inclusions and Exclusions, provides the complete list of income inclusions and exclusions published in the regulations and *Federal Register* notices.
- C. Annual income includes amounts derived (during the 12-month period) from assets to which any member of the family has access.

### 5-5 Methods for Projecting and Calculating Annual Income

- A. The requirements for determining whether a family is eligible for assistance, and the amount of rent the family will pay, require the owner to project or estimate the annual income that the family expects to receive. There are several ways to make this projection. The following are two acceptable methods for calculating the annual income anticipated for the coming year:
  1. Generally the owner must use current circumstances to anticipate income. The owner calculates projected annual income by annualizing *current* income. Income that may not last for a full 12 months (e.g., unemployment compensation) should be calculated assuming current circumstances will last a full 12 months. If changes occur later in the year, an interim recertification can be conducted to change the family's rent.
  2. If information is available on changes expected to occur during the year, use that information to determine the total *anticipated* income from all known sources during the year\*\*. For example, if a verification source reports that a union contract calls for a 2% pay increase midway through

the year, the owner may add the total income for the months before, and the total for the months after the increase\*\*.

### Example – Calculating Anticipated Annual Income

A teacher's assistant works nine months annually and receives \$1,300 per month. During the summer recess, the teacher's assistant works for the Parks and Recreation Department for \$600 per month. The owner may calculate the family's income using either of the following two methods:

1. Calculate annual income based on current income: \$15,600 (\$1,300 x 12 months).

The owner would then conduct an interim recertification at the end of the school year to recalculate the family's income during the summer months at reduced annualized amount of \$7,200 (\$600 x 12 months). The owner would conduct another interim recertification when the tenant returns to the nine-month job.

2. Calculate annual income based on anticipated changes through the year:

\$11,700 (\$1,300 x 9 months)

+ 1,800 (\$ 600 x 3 months)

\$13,500

Using the second method, the owner would not conduct an interim re-examination at the end of the school year. In order to use this method effectively, history of income from all sources in prior years should be available.

- B. Once all sources of income are known and verified, owners must convert reported income to an annual figure. Convert periodic wages to annual income by multiplying:

1. Hourly wages by the number of hours worked per year (2,080 hours for full-time employment with a 40-hour week and no overtime);
2. Weekly wages by 52;
3. Bi-weekly wages (paid every other week) by 26;
4. Semi-monthly wages (paid twice each month) by 24; and
5. Monthly wages by 12.

To annualize other than full-time income, multiply the wages by the actual number of hours or weeks the person is expected to work.

### Example – Anticipated Increase in Hourly Rate

February 1 Certification effective date  
 \$7.50/hour Current hourly rate  
 \$8.00/hour New rate to be effective March 15

(40 hours per week x 52 weeks = 2,080 hours per year)

February 1 through March 15 =	6 weeks
6 weeks x 40 hours =	240 hours
2,080 hours minus 240 hours =	1,840 hours

(check: 240 hours + 1,840 hours = 2,080 hours)

Annual Income is calculated as follows:

240 hours x \$7.50 =	\$1,800
\$1,840 hours x \$8.00 =	\$14,720
Annual Income	\$16,520

(See **Appendix 8** for an explanation of the correct approach to rounding numbers.)

- C. Some circumstances present more than the usual challenges to estimating anticipated income. Examples of challenging situations include a family that has sporadic work or seasonal income or a tenant who is self-employed. In all instances, owners are expected to make a reasonable judgment as to the most reliable approach to estimating what the tenant will receive during the year. In many of these challenging situations, midyear or interim recertifications may be required to reflect changing circumstances. Some examples of approaches to more complex situations are provided below.

### Examples – Irregular Employment Income

**Seasonal work.** Clyde Kunkel is a roofer. He works from April through September. He does not work in rain or windstorms. His employer is able to provide information showing the total number of regular and overtime hours Clyde worked during the past three years. To calculate Clyde's anticipated income, use the average number of regular hours over the past three years times his current regular pay rate, and the average overtime hours times his current overtime rate.

**Sporadic work.** Justine Cowan is not always well enough to work full-time. When she is well, she works as a typist with a temporary agency. Last year was a good year and she worked a total of nearly six months. This year, however, she has more medical problems and does not know when or how much she will be able to work. Because she is not working at the time of her recertification, it will be best to exclude her employment income and remind her that she must return for an interim recertification when she resumes work.



### Examples – Irregular Employment Income

Sporadic work. Sam Daniels receives social security disability. He reports that he works as a handyman periodically. He cannot remember when or how often he worked last year: he says it was a couple of times. Sam's earnings appear to fit into the category of nonrecurring, sporadic income that is not included in annual income. Tell Sam that his earnings are not being included in annual income this year, but he must report to the owner any regular work or steady jobs he takes.

Self-employment income. Mary James sells beauty products door-to-door on consignment. She makes most of her money in the months prior to Christmas but has some income throughout the year. She has no formal records of her income other than a copy of the IRS Form 1040 she files each year. With no other information available, the owner will use the income reflected on Mary's copy of her form 1040 as her annual income.

## 5-6 Calculating Income—Elements of Annual Income

### A. Income of Adults and Dependents

1. Figure 5-2 summarizes whose income is counted.
2. Adults. Count the annual income of the head, spouse or co-head, and other adult members of the family. In addition, persons under the age of 18 who have entered into a lease under state law are treated as adults, and their annual income must also be counted. These persons will be either the head, spouse, or co-head; they are sometimes referred to as emancipated minors.

**NOTE:** If an emancipated minor is residing with a family as a member other than the head, spouse, or co-head, the individual would be considered a dependent and his or her income handled in accordance with subparagraph 3 below.

3. Dependents. A dependent is a family member who is under 18 years of age, is disabled, or is a full-time student. The head of the family, spouse, co-head, foster child, or live-in aide are never dependents. Some income received on behalf of family dependents is counted and some is not.
  - a. *Earned* income of minors (family members under 18) is not counted.
  - b. Benefits or other *unearned* income of minors is counted.

**Figure 5-2: Whose Income is Counted?**

<b>Members</b>	<b>Employment Income</b>	<b>Other Income (including income from assets)</b>
Head	Yes	Yes
Spouse	Yes	Yes
Co-head	Yes	Yes
Other adult	Yes	Yes
Dependents		
-Child under 18	No	Yes
Full-time student over 18	See Note	Yes
<b>Nonmembers</b>		
Foster child	No	No
Foster adult	No	No
Live-in aide	No	No

**NOTE:** The earned income of a full-time student 18 years old or older \*\*who is a dependent\*\* is excluded to the extent that it exceeds \$480.

- c. When more than one family shares custody of a child and both families live in assisted housing, only one family at a time can claim the dependent deduction. The family that counts the dependent deduction also counts the unearned income of the child. The other family claims neither the dependent deduction nor the unearned income of the child.
- d. \*\*When\*\* full-time students who are 18 years of age or older \*\*are dependents, a small amount of their earned income will be counted. Count only earned income up to a maximum of \$480 per year for full-time students, age 18 or older, who are not the head of the family or spouse or co-head. If the income is less than \$480 annually, count all the income. If the annual income exceeds \$480, count \$480 and exclude the amount that exceeds \$480.
- e. The income of full-time students 18 years of age or older who are members of the household but away at school is counted the same as the income for other full-time students. The income of minors who are members of the household but away at school is counted as the income for other minors.
- f. All income of a full-time student, 18 years of age or older, is counted if that person is the head of the family, spouse, or co-head.
- g. Payments received by the family for the care of foster children or foster adults are *not* counted. This rule applies only to payments

made through the official foster care relationships with local welfare agencies.

- h. Adoption assistance payments in excess of \$480 are not counted.

## **B. Income of Temporarily Absent Family Members**

1. Owners must count all income of family members approved to reside in the unit, even if some members are temporarily absent.
2. If the owner determines that an absent person is no longer a family member, the individual must be removed from the lease and the \*\*HUD-50059\*\*.
3. A temporarily absent individual on active military duty must be removed from the family, and his or her income must not be counted unless that person is the head of the family, spouse, or co-head.
  - a. However, if the spouse or a dependent of the person on active military duty resides in the unit, that person's income must be counted in full, even if the military member is not the head, or spouse of the head of the family.
  - b. The income of the head, spouse, or co-head will be counted even if that person is temporarily absent for active military duty.

### **Examples – Income of Temporarily Absent Family Members**

- John Chouse works as an accountant. However, he suffers from a disability that periodically requires lengthy stays at a rehabilitation center. When he is confined to the rehabilitation center, he receives disability payments equaling 80% of his usual income.  
  
During the time he is not in the unit, he will continue to be considered a family member. The owner will conduct an interim recertification. Even though he is not currently in the unit, his total disability income will be counted as part of the family's annual income.
- Mirna Martinez accepts temporary employment in another location and needs a portion of her income to cover living expenses in the new location. The full amount of the income must be included in annual income.
- Charlotte Paul is on active military duty. Her permanent residence is her parents' assisted unit where her husband and children live. Charlotte is not currently exposed to hostile fire. Therefore, because her spouse and children are in the assisted unit, her military pay must be included in annual income. (If her dependents or spouse were not in the unit, she would not be considered a family member and her income would not be included in annual income.)

## **C. Income of Permanently Confined Family Members**

1. An individual permanently confined to a nursing home or hospital may not be named as family head, spouse, or co-head but may continue as a family member at the family's discretion. The family's \*\*decision on

whether or not to include the permanently confined family member as a family member determines if that person's income will\*\* be counted.

- a. *Include* the individual \*\*as a family member and the\*\* income and allowable deductions related to the medical care of the permanently confined individual \*\*are counted\*\*; or
- b. *Exclude* the individual \*\*as a family member and the\*\* income and allowances based on the medical care of the permanently confined individual \*\*are not counted\*\*.

2. \*\*If the family elects to include the\*\* permanently confined member, \*\*the individual\*\* is listed on the \*\*HUD-50059\*\* as an adult who is not the head, spouse, or co-head, even when the permanently confined family member is married to the person who is or will become the head of the family. \*\* The owner should consider extenuating circumstances that may prevent the confined member from being able to sign the HUD-50059. If the owner determines the confined member is unable to sign the HUD-50059, the owner must document the file why the signature was not obtained. If the family elects not to include the permanently confined member, the individual would not be listed on the HUD-50059.\*\*

#### **D. Educational Scholarships or Grants**

All forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, and financial aid packages) are excluded from annual income \*\*except for students receiving Section 8 assistance.\*\* This is true whether the assistance is paid to the student or directly to the educational institution

\*\*For students receiving Section 8 assistance, all financial assistance a student receives (1) under the Higher Education Act of 1965, (2) from private sources, or (3) from an institution of higher education that is in excess of amounts received for tuition is included in annual income except if the student is over the age of 23 with dependent children or the student is living with his or her parents who are receiving Section 8 assistance. See Paragraph 3-13 for further information on eligibility of students to receive Section 8 assistance and the Glossary for the definition of Student Financial Assistance.\*\*

#### **E. Alimony or Child Support**

Owners must count alimony or child support amounts awarded by the court unless the applicant certifies that payments are not being made *and* that he or she has taken all reasonable legal actions to collect amounts due, including filing with the appropriate courts or agencies responsible for enforcing payment.

1. The owner may accept printouts from the court or agency responsible for enforcing support payments, or other evidence indicating the frequency and amount of support payments actually received.

2. Child support paid to the custodial parent through a state child support enforcement or welfare agency may be included in the family's monthly welfare check and may be designated in different ways. In some states these payments are not identified as separate from the welfare grant. In these states, it is important to determine which portion is child support and not to count it twice. In other states, the payment may be listed as child support or as "pass-through" payments. These amounts must be counted as annual income.
3. When no documentation of child support, divorce, or separation is available, either because there was no marriage or for another reason, the owner may require the family to sign a certification stating the amount of child support received.

#### F. Regular Cash Contributions and Gifts

1. Owners must count as income any regular contributions and gifts from persons not living in the unit. These sources may include rent and utility payments paid on behalf of the family, and other cash or noncash contributions provided on a regular basis.

##### Examples – Regular Cash Contributions

- The father of a young single parent pays her monthly utility bills. On average he provides \$100 each month. The \$100 per month must be included in the family's annual income.
- The daughter of an elderly tenant pays her mother's \$175 share of rent each month. The \$175 value must be included in the tenant's annual income.

2. Groceries and/or contributions paid directly to the childcare provider by persons not living in the unit are excluded from annual income.
3. Temporary, nonrecurring, or sporadic income (including gifts) is not counted.

#### G. Income from a Business

When calculating annual income, owners must include the net income from operation of a business or profession including self-employment income. Net income is gross income less business expenses, interest on loans, and depreciation computed on a straight-line basis.

1. In addition to net income, owners must count any salaries or other amounts distributed to family members from the business, and cash or assets withdrawn by family members, except when the withdrawal is a reimbursement of cash or assets invested in the business.

2. When calculating net income, owners must not deduct principal payments on loans, interest on loans for business expansion or capital improvements, other expenses for business expansion, or outlays for capital improvements.
3. If the net income from a business is negative, it must be counted as zero income. A negative amount must not be used to offset other family income.

**H. \*\*Periodic Social Security Payments**

Count the gross amount, before deductions for Medicare, etc., of periodic Social Security payments. Include payments received by adults on behalf of individuals under the age of 18 or by individuals under the age of 18 for their own support.\*\*

**I. Adjustments for Prior Overpayment of Benefits**

If an agency is reducing a family's benefits to adjust for a prior overpayment (e.g., social security, SSI, TANF, or unemployment benefits), count the amount that is actually provided after the adjustment.

**Example – Adjustment for Prior Overpayment of Benefits**

Lee Park's social security payment of \$250 per month is being reduced by \$25 per month for a period of six months to make up for a prior overpayment. Count his social security income as \$225 per month for the next six months and as \$250 per month for the remaining six months.

**J. Public Assistance Income in As-Paid Localities**

1. Special calculations of public assistance income are required for “as-paid” state, county, or local public assistance programs. An “as-paid” system is one:
  - a. In which the family receives an amount from a public agency specifically for shelter and utilities; and
  - b. In which the amount is adjusted based upon the actual amount the family pays for shelter and utilities.
2. The public assistance amount specifically designated for rent and utilities is called the “welfare rent.”
3. To determine annual income for public assistance recipients in “as-paid” localities, include the following:

- a. The amount of the family's grant for other than shelter and utilities; and
  - b. The maximum amount the welfare department can pay for shelter and utilities for a family of that size (i.e., the welfare rent). This may be different from the amount the family is actually receiving.
4. Each as-paid locality works somewhat differently, and many are subject to court-ordered modifications to the basic policy. Owners should discuss how the rules are applied with the HUD Field Office.

#### **Example – Welfare Income in “As Paid” Localities**

At application, a family's welfare grant is \$300, which includes \$125 for basic needs and \$175 for shelter and utilities (based upon where the family is now living). However, the maximum the welfare agency could allow for shelter and utilities for this size family is \$190.

Count the following as income:

\$125	Amount family receives for basic needs
<u>\$190</u>	Maximum for shelter and utilities
\$315	Monthly public assistance income

#### **K. Periodic Payments from Long-Term Care Insurance, Pensions, Annuities, and Disability or Death Benefits**

1. The full amount of periodic payments from annuities, insurance policies, retirement funds, pensions, and disability or death benefits is included in annual income. (See subparagraph **\*\*O\*\*** below for information on the withdrawal of cash or assets from an investment.) Payments such as Black Lung Sick Benefits, Veterans Disability, and Dependent Indemnity Compensation for the Widow of a Killed in Action Serviceman are examples of such periodic payments.
2. Withdrawals from retirement savings accounts such as Individual Retirement Accounts and 401K accounts that are not periodic payments do not fall in this category and are not counted in annual income (see paragraph 5.7 G.4).

### Example – Withdrawals from IRAs or 401K Accounts

Isaac Freeman retired recently. He has an IRA account but is not receiving periodic payments from it because his pension is adequate for his routine expenses. However, he has withdrawn \$2,000 for a trip with his children. The withdrawal is not a periodic payment and is not counted as income.

3. If the tenant is receiving long-term care insurance payments, any payments in excess of \$180 per day must be counted toward the gross annual income. (**NOTE:** Payment of long-term care insurance premiums are an eligible medical expense – \*\*see paragraph 5-10 D.8.k.\*\*)
4. \*\*Federal Government Pension Funds Paid to a Former Spouse

Federal government pension funds paid directly to an applicant's/tenant's former spouse pursuant to the terms of a court decree of divorce, annulment, or legal separation are not counted as annual income. The state court has, in the settlement of the parties' marital assets, determined the extent to which each party shares in the ownership of the pension. That portion of the pension that is ordered by the court (and authorized by the Office of Personnel Management (OPM), to be paid to the applicant's/tenant's former spouse is no longer an asset of the applicant/tenant and therefore is not counted as income. However, any pension funds authorized by OPM, pursuant to a court order, to be paid to the former spouse of a Federal government employee is counted as income for a tenant/applicant receiving such funds.

**Example:** Joan Carson is a retired Federal government employee receiving a retirement pension. She is also the recipient of Section 8 housing assistance and involved in a divorce proceeding. In settling the assets of the marriage between Mrs. Carson and her former husband, the court ordered that one half of her pension be paid directly to her former husband in the amount of \$20,000. The court provided OPM with clear, specific and express instructions acceptable for OPM to process the payment to Mrs. Carson's former husband. OPM authorized the payment of pension benefits to Mrs. Carson's former husband in the amount of \$20,000. The \$20,000 represents an asset disposed of as a result of a court decree. At the interim reexamination of her income, Mrs. Carson indicated a change in her income due to the court ordered payment of pension benefits to her former husband. The PHA requested that Mrs. Carson provide a copy of her statement from OPM evidencing the payment of pension benefits to her (her statement reflected the line item payment to her former husband due to the court order). That portion of the pension paid to her former husband no longer belongs to Mrs. Carson and is not counted as income.

The OPM is responsible for handling court orders (any judgments or property settlements issued by or approved by any court of any state, the District of Columbia, the Commonwealth of Puerto Rico, Guam, The



Northern Mariana Islands, or the Virgin Islands in connection with the divorce, annulment of marriage, or legal separation of a Federal government employee or retiree) affecting current and retired Federal government employees. See 5 C.F.R. § 838.103. OPM must comply with court orders, decrees, or court-approved property settlement agreements in connection with divorces, annulments of marriage, or legal separations of employees that award a portion of the former Federal government employee's retirement benefits. Id. at § 838.101(a)(1). State courts ordering a judgment or property settlement in connection with divorce, annulment of marriage, or legal separation have the responsibility of issuing clear, specific, and express instructions to OPM with regards to providing benefits to former spouses. Id. at § 838.122. In response to instructions from state courts, OPM will authorize payments to the former spouses. Id. at § 838.121. Once the payments have been authorized by OPM, the reduced pension amount paid to the retired Federal employee (the tenant/applicant) will be reflected in the tenant's/applicant's statement from OPM. Former spouses of Federal government employees receiving court ordered pension benefits are provided a Form-1099 reflecting pension benefits received from the retired Federal government employee. In verifying the income of tenants/applicants, owners should require that tenants/applicants provide any copies of statements from OPM verifying pension benefits (including any reductions pursuant to a court order, decree or court-approved property settlement agreement), and any evidence of survivor benefits, pensions or annuities received from retired Federal government employees including, but not limited to, a Form-1099. (See Paragraph 5-7.G.5 for more information on the treatment of income from Federal government pensions.)\*\*

#### **L. Income from Training Programs**

1. Amounts received under HUD-funded training programs are excluded from annual income.
2. Incremental earnings and benefits received by any family member due to participation in qualifying state or local employment training programs are excluded. Income from training programs not affiliated with a local government, and income from the training of a family member resident to serve on the management staff, is also excluded.
  - a. Excluded income must be received under employment training programs with clearly defined goals and objectives and for a specific, limited time period. The initial enrollment must not exceed one year, although income earned during extensions for additional specific time periods may also be eligible for exclusion.
  - b. Training income may be excluded only for the period during which the family member participates in the employment training program.

- c. Exclusions include stipends, wages, transportation or child care payments, or reimbursements.
  - d. Income received as compensation for employment is excluded only if the employment is a component of a job training program. Once training is completed, the employment income becomes income that is counted.
  - e. Amounts received during the training period from sources that are unrelated to the job training program, such as welfare benefits, social security payments, or other employment, are not excluded.
3. Owners may ask to use project funds or funds from the Residual Receipts account to underwrite all or a portion of the cost of developing, maintaining, and managing a job training program for project residents if funds are available.
- a. The Field Office will make the determination if the job training program may be approved, and if project funds are sufficient to fund the job training program and maintain the physical and financial integrity of the project. Job training programs may be either on-site at the project or off-site. For example, job training programs that have partnerships with local colleges, community based organizations, or local business, may have in-house job training programs designed for project residents.
  - b. Funds that an owner may choose to use to underwrite a job training program may include Section 8 funds, Community Development Block Grant funds, or housing authority funds. These funds may be used to cover the costs of various components of a job training program, including course materials, computer software, computer hardware, or personnel costs. Also, contractors and subcontractors, in connection with work performed under a Flexible Subsidy contract, may elect to hire project residents to perform certain skills required under the contract. If the employment of the project residents was pursuant to an apprenticeship program, this could constitute a training program using HUD funds, and income received by the tenants in the apprenticeship program will qualify as an exclusion from income.

**M. Resident Services Stipends**

Resident services stipends are generally modest amounts of money received by residents for performing services such as hall monitoring, fire patrol, lawn maintenance, and resident management.

- 1. If the resident stipend exceeds \$200 per month, owners must include the entire amount in annual income.

2. If the resident stipend is \$200 or less per month, owners must exclude the resident services stipend from annual income.

**N. Income Received by a Resident of an Intermediate Care Facility for the Mentally Retarded or for the Developmentally Disabled (ICF/MR or ICF/DD) and Assisted Living Units in Elderly Projects**

1. An intermediate care facility is a group home for mentally retarded or developmentally disabled individuals (ICF/MR or ICF/DD). The term “intermediate care facility” is one used by state mental health departments for group homes serving these residents.
2. Assisted living units are units in projects developed for elderly residents with project-based assistance that have been converted to assisted living units.
3. The local agency responsible for Medicaid provides funds directly to group home operators and assisted living providers for services.
4. Annual income at an ICF/MR, ICF/DD, or assisted living unit must include:
  - a. The SSI payment a tenant receives or the facility receives on behalf of the tenant; plus
  - b. All other income the tenant receives from sources other than SSI that are not excluded from income by HUD regulations (see Exhibit 5-1). Examples of other sources of income include wages, pensions, income from sheltered workshops, income from a trust, or other interest income.
  - c. The personal allowance of an individual residing in an ICF/MR or ICF/DD is not included in annual income. If the owner is unable to determine the actual amount of the personal allowance, use \$30.
5. Annual income does not include the enhanced benefit portion of the SSI that is provided to pay for services.
6. In some instances, a resident's SSI income may be reduced between annual recertifications if the resident's earnings exceed a specified amount. If this happens, the resident may request an interim recertification.

**O. Withdrawal of Cash or Assets from an Investment**

The withdrawal of cash or assets from an investment received as periodic payments should be counted as income. \*\*Lump sum receipts from pension and retirement funds are counted as assets. If benefits are received through periodic payments, do not count any remaining amounts in the account as an asset. See Paragraph 5-7 G.2 for guidance on calculating income from an asset.\*\*

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**P. Lump Sum Payments Counted as Income**

1. Generally, lump sum amounts received by a family, such as inheritances, insurance settlements, or proceeds from sale of property are considered assets, not income.
2. When social security or SSI benefit income is paid in a lump sum as a result of deferred periodic payments, that amount is *excluded* from annual income.
3. Settlement payments from claim disputes over welfare, unemployment, or similar benefits may be counted as assets, but lump sum payments caused by *delays in processing* periodic payments for unemployment or welfare assistance are included as income.

How lump sum payments for delayed start of benefits are counted depends upon the following:

- a. When the family reports the change;
- b. When an interim re-examination is conducted; and
- c. Whether the family's income increases or decreases as a result.

A lump sum payment resulting from delayed benefit income may be treated in either of the two ways illustrated in the example shown in Figure 5-3.

4. Lottery winnings paid in one payment are treated as assets. Lottery winnings *paid in periodic payments* must be counted as income.

**Figure 5-3: Treatment of Delayed Benefit Payments Received in a Lump Sum**

Family member loses his/her job on October 19 and applies for unemployment benefits. The family receives a lump sum payment of \$700 in December to cover the period from 10/20 to 12/5 and begins to receive \$100 a week effective 12/6.

**Option A:** The owner processes one interim re-examination immediately effective 11/1 and a second interim after unemployment benefits are known.

	<u>10/1</u>	<u>11/1</u>	<u>12/1</u>	<u>1/1</u>	<u>2/1</u>
Monthly gross income	800	*0	*0	492**	492**
Monthly allowances (three minors x 480 / 12 months)	120	-	-	120	120
Monthly adjusted income	680	0	0	372	372
Total tenant payment (TTP)	204	25	25	25***	112***

\* The family's income is calculated at \$0/month beginning November 1, continuing until benefits actually begin and new income is calculated. TTP is set at the minimum rent.

\*\* Family's actual income for 1/1 is \$100/week x 52 weeks = \$5,200 / 12 = \$433.

However, because the family's TTP was calculated at zero income for the months of November and December (the period eventually covered by the \$700 lump sum payment), the annual income to be used in calculating monthly gross income should be as follows:

\$100/week benefit x 52 weeks = \$5,200 + \$700 lump sum payment = \$5,900 annual gross income / 12 = \$492.

\*\*\* Increased rent does not start until 2/1 in order to give the family notice of rent increase.

**Option B:** The owner processes one interim re-examination after unemployment benefits are known.

	<u>10/1</u>	<u>11/1</u>	<u>12/1</u>	<u>1/1</u>	<u>2/1</u>
Monthly gross income	800	0/800*	0/800*	433*	433*
Monthly allowances (three minors x 480 / 12 Months)	120	120	120	120	120
Monthly adjusted income	680	0/680	0/680	313	313
Total tenant payment	204	204*	204*	94	94
Recalculated TTP	-	94***	94*	94	94
Rent credit (204 – 94=)	-	110	110	-	-

\* Family's actual income for 11/1 and 12/1 is zero, but because the owner does not process an interim re-examination, the family's TTP continues to be calculated using \$800 as monthly gross income. Beginning 1/1, monthly gross income is known to be \$100/week, or \$433/month.

\*\* The lump sum payment is taken into account by making the recertification retroactive to 11/1. Annual income is calculated as \$5,200 / 12 = \$433 monthly gross income.

\*\*\* TTP for November and December recalculated as \$433 monthly gross income and \$313 monthly adjusted income x .30 = 94 with credit or refund to family of \$110/month for each of these two months for difference between TTP paid of \$204 and recalculated TTP of \$94.

**Q. Exclusions from Income**

1. Regulations for the multifamily subsidized housing programs covered by this handbook specifically exclude certain types of income from annual income. However, many of the items listed as exclusions from annual income under HUD requirements are items that the IRS includes as taxable income. Therefore, it is important for owners to focus specifically on the HUD program requirements regarding annual income.
2. Among the items that are excluded from annual income are the value of food provided through:
  - a. The Meals on Wheels program, food stamps, or other programs that provide food for the needy;
  - b. Groceries provided by persons not living in the household; and
  - c. Amounts received under the School Lunch Act and the Child Nutrition Act of 1966, including reduced lunches and food under the Special Supplemental Food Program for Women, Infants and Children (WIC).

**Examples – Income Exclusions**

- The Value of Food Provided through the Meals on Wheels Program or Other Programs Providing Food for the Needy. Jack Love receives a hot lunch each day during the week in the community room and an evening meal in his apartment. One meal is provided through the Meals on Wheels program. A local church provides the other. The value of the meals he receives is not counted as income.
- Groceries provided by persons not living in the household. Carrie Sue Colby's mother purchases and delivers groceries each week for Carrie Sue and her two year old. The value of these groceries is not counted as income despite the fact that these are a regular contribution or gift.
- Amounts Received Under WIC or the School Lunch Act. Lydia Jeffries' two children receive a free breakfast and reduced priced lunches at school every day through the Special Supplemental Food Program for Women, Infants and Children (WIC). The value of this food is not counted as income.

\*\*

3. Some additional examples of income that is excluded from the calculation of annual income follow.

**Examples – Income Exclusions**

- Resident service stipends. Rich Fuller receives \$50 a month for distributing flyers for management. This amount is excluded from annual income.
- Deferred periodic payments of social security benefits. Germain Johnson received \$32,000 in deferred social security benefits following a lengthy eligibility dispute. This delayed payment of social security benefits is treated as an asset, not as income.
- Income from training programs. Jennifer Jones is participating in a qualified state-supported employment training program every afternoon to learn improved computer skills. Each morning, she continues her regular job as a typist. The \$250 a week she receives as a part-time typist is included in annual income. The \$150 a week she receives for participation in the training program is excluded in annual income.
- Earned Income Tax Credit refund payments. Mary Frances Jackson is eligible for an earned income tax credit. She receives payments from her employer each quarter because of the tax credit. These payments are excluded in annual income.

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**5-7 Calculating Income from Assets**

Annual income includes amounts derived from assets to which family members have access.

**A. What is Considered to Be an Asset?**

1. Assets are items of value that may be turned into cash. A savings account is a cash asset. The bank pays interest on the asset. The interest is the *income* from that asset.
2. Some tenants have assets that are not earning interest. A quantity of money under a mattress is an asset: it is a thing of value that could be used to the benefit of the tenant, but under the mattress it is not producing income.
3. Some belongings of value are not considered assets. Necessary personal property is not counted as an asset. Exhibit 5-2 summarizes the items that are considered assets and those that are not.

**B. Determining Income from Assets**

**Note:** For families receiving only BMIR assistance, it is not necessary to determine whether family assets exceed \$5,000. The rule for imputing income from assets does not apply to the BMIR program.

1. The calculation to determine the amount of income from assets to include in annual income considers both of the following:
  - a. The total cash value of the family's assets; and
  - b. The amount of income those assets are earning or could earn.
2. The rule for calculating income from assets differs depending on whether the total cash value of family assets is \$5,000 or less, or is more than \$5,000.

**C. Determining the Total Cash Value of Family Assets**

1. To comply with the rule for determining the amount of income from assets, it is necessary to first determine whether the total "cash value" of family assets exceeds \$5,000.
  - a. The "cash value" of an asset is the market value less reasonable expenses that would be incurred in selling or converting the asset to cash, such as the following:
    - (1) Penalties for premature withdrawal;
    - (2) Broker and legal fees; and
    - (3) Settlement costs for real estate transactions.

The cash value is the amount the family could actually receive in cash, if the family converted an asset to cash.

**Example – Calculating the Cash Value of an Asset**

A family has a certificate of deposit (CD) in the amount of \$5,000 paying interest at 4%. The penalty for early withdrawal is three months of interest.

$\$5,000 \times 0.04 = \$200$  in annual income

$\$200 / 12 \text{ months} = \$16.67$  interest per month

$\$16.67 \times 3 \text{ months} = \$50.01$

$\$5,000 - \$50 = \$4,950$  cash value of CD

- b. It is essential to note that a family is not required to convert an asset to cash. Determining the cash value of the asset is done simply as a calculation by the owner because it is a required step when determining income from assets under program requirements.



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**D. Assets Owned Jointly**

1. If assets are owned by more than one person, prorate the assets according to the percentage of ownership. If no percentage is specified or provided by a state or local law, prorate the assets evenly among all owners.
2. If an asset is not effectively owned by an individual, do not count it as an asset. An asset is not effectively owned when the asset is held in an individual's name, but (a) the asset and any income it earns accrue to the benefit of someone else who is not a member of the family, and (b) that other person is responsible for income taxes incurred on income generated by the assets.
3. Determining which individuals have ownership of an asset requires collecting as much information as is available and making the best judgment possible based on that information.

### Example – Determining the Cash Value of an Asset

The “cash value” of an asset is the amount a family would receive if the family turned a noncash asset into cash.

The cash value is the market value—or the amount another person would pay to acquire the asset—less the cost to turn the asset into cash.

If a family owns real estate, it may be necessary to consider the family’s equity in the property as well as the expense to sell the property.

To determine the family’s equity, subtract amounts owed on the property from its market value:

$$\begin{array}{r} \text{Market value} \\ - \text{Mortgage amount owed} \\ \hline \text{Equity in the property} \end{array}$$

Calculate the cash value by subtracting the expense of selling the property:

$$\begin{array}{r} \text{Equity} \\ - \text{Expense of selling} \\ \hline \text{Cash Value} \end{array}$$

Juanita Player owns a rental house. The market value is \$100,000. She owes \$60,000. The cost to dispose of this house would be \$8,000. The owner would determine the cash value as follows:

Market Value	\$100,000
Mortgage amount	- <u>\$60,000</u>
	40,000
Cost of disposing of the asset (real estate commission, and other costs of sale)	- <u>\$8,000</u>
<b>Cash Value</b>	<b>\$32,000</b>

- a. In some instances, but not all, knowing whose social security number is connected with the asset may help in identifying ownership. Owners should be aware that there are many situations in which a social security number connected with an asset does not indicate ownership and other situations where there is ownership without connection to a social security number.
- b. Determining who has contributed to an asset or who is paying taxes on the asset may assist in identifying ownership.

**Examples – Jointly Owned Assets**

- Helen Wright is an assisted-housing tenant. She and her daughter, Elsie Duncan, have a joint savings account. Mother and daughter both contribute to the account. They have used the account for trips together and to cover emergency needs for either of them. Assume in this example that state law does not specify ownership. Even though either Helen Wright or Elsie Duncan could withdraw the entire asset for her own use, count Helen's ownership as 50% of the account.
- Jean Boucher's name is on her mother's savings account to ensure that she can access the funds for her mother's care. The account is not effectively owned by Jean and should not be counted as her asset.

**E. Calculating Income from Assets When Assets Total \$5,000 or Less**

If the total cash value of all the family's assets is \$5,000 or less, the actual income the family receives from assets is the amount that is included in annual income as income from assets.

**F. Calculating Income from Assets When Assets Exceed \$5,000**

1. When net family assets are more than \$5,000, annual income includes the greater of the following:
  - a. Actual income from assets; or
  - b. A percentage of the value of family assets based upon the current passbook savings rate as established by HUD. This is called *imputed* income from assets. The passbook rate is currently set at 2%.
2. To begin this calculation, first add the cash value of all assets. Multiply the total cash value of all assets by .02. The product is the "imputed income" from assets. Then, add the actual income from all assets. The greater of the imputed income from assets or the actual income from assets is included in the calculation of annual income.

**Example – Use Actual Income from Assets When  
Total Net Family Assets are \$5,000 or Less**

Type of Asset	Cash Value	Actual Yearly Income
<i>Certificate of Deposit</i> \$1,000 withdrawal fee \$50 interest @ 4%	\$950	\$40
<i>Savings Account</i> \$500 interest @ 2.5%	\$500	\$13
<i>Stock</i> \$300 Not paying dividends	\$300	\$0
	<hr/>	<hr/>
Total	\$1,750	\$53

The total cash value of the family's assets is \$1,750. Therefore, the amount that is added to annual income as income from assets is the actual income earned or \$53.

**Example – Imputed Income from Assets**

"Imputed" means "attributed" or "assigned." Imputing income from assets is "assigning" an amount of income solely for the sake of the annual income calculation. The imputed income is not real income.

For example, money under a mattress is not earning income. If the money were put in a savings account it would earn interest. Imputed income from such an asset is the interest the money would earn if it were put in a savings account.

A family with cash under a mattress is not required to put the cash in a savings account; but when the owner is calculating income for a family with more than \$5,000 in assets, the owner must assign an amount that cash would earn if it were in a savings account.

**Example – Determining Income from Assets  
When Net Family Assets Exceed \$5,000**

Type of Asset	Cash Value	Actual Yearly Income
<i>Checking Account</i> (non-interest bearing)	\$455	\$0
<i>Savings Account</i> (interest at 2.5%)	\$6,000	\$150
<i>Stocks</i> (not paying dividends this year)	\$3,000	\$0
<b>Total</b>	<b>\$9,455</b>	<b>\$150</b>

Total cash value of assets is greater than \$5,000. Therefore, it is necessary to compare the actual income from assets to the imputed income from assets.

The total cash value of assets (\$9,455) is multiplied by 2% to determine the imputed income from assets.

$$.02 \times \$9,455 = \$189$$

\$189 is greater than the actual income from assets (\$150).

In this case, therefore, the owner will add \$189 to the annual income calculation as income from assets.

## G. Calculating Income from Assets - Specific Types of Assets

### 1. Trusts.

#### a. Explanation of trusts.

- (1) A trust is a legal arrangement generally regulated by state law in which one party (the creator or grantor) transfers property to a second party (the trustee) who holds the property for the benefit of one or more third parties (the beneficiaries). A trust can contain cash or other liquid assets or real or personal property that could be turned into cash. Generally, the assets are invested for the benefit of the beneficiaries.
- (2) Trusts may be revocable or nonrevocable. A revocable trust is a trust that the creator of the trust may amend or end (revoke). When there is a revocable trust, the creator has access to the funds in the trust account. When the creator sets up a nonrevocable trust, the creator has no access to the funds in the account.
- (3) The beneficiary frequently will be unable to touch any of the trust funds until a specified date or event (e.g., the

beneficiary's 21<sup>st</sup> birthday or the grantor's death). In some instances, the beneficiary may receive the regular investment income from the trust but not be able to withdraw any of the principal.

- (4) The beneficiary and the grantor may be members of the same family. A parent or grandparent may have placed funds in trust to a child. If the trust is revocable, the funds may be accessible to the parent or grandparent but not to the child.

b. How to treat trusts.

- (1) The basis for determining how to treat trusts relies on information about who has access to either the principal in the account or the income from the account.
- (2) Revocable trusts. If any member of the tenant family has the right to withdraw the funds in the account, the trust is considered to be an asset and is treated as any other asset. The cash value of the trust (the amount the family member would receive if he or she withdrew all that could be withdrawn) is added to total net assets. The actual income received is added to actual income from assets.

**Example – A Trust Accessible to Family Members**

Assez Charaf lives alone. He has placed \$20,000 in trust to his grandson to be available to the grandson upon the death of Assez. The trust is revocable, that is, Assez has control of the principal and interest in the account and can amend the trust or remove the funds at any time. In calculating Assez's income, the owner will add the \$20,000 to Assez's net family assets and the actual income received on the trust to actual income from assets.

- (3) Nonrevocable trusts. If no family member has access to either the principal or income of the trust at the current time, the trust is not included in the calculation of income from assets or in annual income.

If only the income (and none of the principal) from the trust is currently available to a family member, the income is counted in annual income, but the trust is not included in the calculation of income from assets.

- (4) Nonrevocable trust as an asset disposed of for less than fair market value. If a tenant sets up a nonrevocable trust for the benefit of another person while residing in assisted

housing, the trust is considered an asset disposed of for less than fair market value (see subparagraph G.6 below).

- If the trust has been set up so income from the trust is regularly reinvested in the trust and is not paid back to the creator, the trust is calculated as any other asset disposed of for less than fair market value for two years and not taken into consideration thereafter.

**Example – Nonrevocable Trust As an Asset Disposed of for Less Than Fair Market Value**

Sarah Gordy placed \$100,000 in a nonrevocable trust for her grandson. Last year, the trust produced \$8,000, which was reinvested into the trust.

The trust is treated as an asset disposed of for less than fair market value for two years. (See paragraph 5.7 G.6.) No actual income from the trust is included in Sarah's annual income, but the value of the asset when it was given away, \$100,000, is included in net family assets for two years from the date the trust was established.

- Nonrevocable trust distributing income. When a tenant places an asset in a nonrevocable trust but continues to receive income from the trust, the income is added to annual income *and* the trust is counted as an asset disposed of for less than market value for two years. Following the two-year period, the owner will count only the actual income distributed from the trust to the tenant.

**Example – Nonrevocable Trust Distributing Income to the Creator/Tenant**

Reggie Bouchard has established a nonrevocable trust in the amount of \$35,000 that no one in the tenant family controls. Income from the trust is paid to Reggie. Last year, he received \$3,500.

The owner will count Reggie's actual anticipated income from the trust in next year's annual income.

Because the asset was disposed of for less than fair market value (see paragraph 5.7 G.6), the value of the asset given away, \$35,000, is counted as an asset disposed of for less than fair market value for two years.

- (5) Payment of principal from a trust. The beneficiary of a trust may receive funds from the trust in different ways. A beneficiary may receive the full value of a trust at one time. In that instance the funds would be considered a lump sum receipt and would be treated as an asset. A trust set up to provide support for a person with disabilities may pay only income from the trust on a periodic basis. Occasionally, however, a beneficiary may be given a portion of the trust principal on a periodic basis. When the principal is paid out on a periodic basis, those payments are considered regular income or gifts and are counted in annual income.

**Example – Payment of Principal Amounts from a Trust**

Jared Leland receives funds from a nonrevocable trust established by his parents for his support. Last year he received \$18,000 from the trust. The attorney managing the trust reported that \$3,500 of the funds distributed was interest income and \$14,500 was from principal. Jared receives a payment of \$1,500 each month (an amount that includes both principal and interest from the trust).

The owner will count the entire \$18,000 Jared received as annual income.

c. Special needs trusts.

A special needs trust is a trust that may be created under some state laws, often by family members for disabled persons who are not able to make financial decisions for themselves. Generally, the assets within the trust are not accessible to the beneficiary.

- (1) If the beneficiary does not have access to income from the trust, then it is not counted as part of income.
- (2) If income from the trust is paid to the beneficiary regularly, those payments are counted as income.

**Example – Special Needs Trust**

Daryl Rockland is a 55-year-old person with disabilities, living with his elderly parents. The parents have established a special-needs trust to provide income for their son after they are gone. The trust is not revocable; neither the parents nor the son currently have access to the principal or interest. In calculating the income of the Rocklands, the owner will disregard the trust.



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## 2. Annuities.

### a. Annuity facts and terms.

- (1) An annuity is a contract sold by an insurance company designed to provide payments, usually to a retired person, at specified intervals. Fixed annuities guarantee a certain payment amount, while variable annuities do not, but have the potential for greater returns.
  - A hybrid annuity (also called a combination annuity) combines the features of a fixed annuity and a variable annuity.
  - A deferred annuity is an annuity that delays income payments until the holder chooses to receive them. An immediate annuity is one that begins payments immediately upon purchase.
  - A life annuity continues to pay out as long as the owner is alive. A single-life annuity provides income benefits for only one person. A joint life annuity is issued on two individuals, and payments continue in whole or in part as long as either individual is alive.
- (2) Generally, a person who holds an annuity from which he or she is not yet receiving payments will also be earning income. In most instances, a fixed annuity will be earning interest at a specified fixed rate similar to interest earned by a CD. A variable annuity will earn (or lose) based on market fluctuations, as in a mutual fund.
- (3) Most annuities charge surrender or withdrawal fees. In addition, early withdrawal usually results in tax penalties.
- (4) Depending on the type of annuity and the current status of the annuity, the owner will need to ask different questions of the verification source, which will normally be the applicant or tenant's insurance broker.

### b. Income after the holder begins receiving payments.

- (1) When verifying an annuity, owners should ask the verification source whether the holder of the annuity has the right to withdraw the balance of the annuity. For annuities without this right, the annuity is not treated as an asset.

- (2) Generally, when the holder has begun receiving annuity payments, the holder can no longer convert it to a lump sum of cash. In this situation, the holder will receive regular payments from the annuity that will be treated as regular income, and no calculations of income from assets will be made. \*\*

c. Calculations when an annuity is considered an asset.

- (1) When an applicant or tenant has the option of withdrawing the balance in an annuity, the annuity will be treated like any other asset. \*\*It will be necessary to determine the cash value of the annuity in addition to determining the actual income earned.
- (2) In most instances, an annuity from which payments have not yet been made is earning income on the balance in the annuity. A fixed annuity will earn income at a fixed rate in the same manner that a CD earns income. A variable annuity will earn (or lose) based on current market conditions, as with a mutual fund.
- (3) The owner will need to verify with the insurance agent or other appropriate source:
  - The right of the holder to withdraw the balance (even if penalties are involved).
  - The basis on which the annuity may be expected to grow during the coming year.
  - The surrender or early withdrawal penalty fee.
  - The tax rate and the tax penalty that would apply if the family withdrew the annuity.
- (4) The cash value will be the full value of the annuity, less the surrender (or withdrawal) penalty, and less any taxes and tax penalties that would be due.
- (5) The actual income is the balance in the annuity times the percentage (either fixed or variable) at which the annuity is expected to grow over the coming year. (This money will be reinvested into the annuity, but it is still considered actual income.)
- (6) The imputed income from the asset is calculated only after the cash value of all family assets has been determined.

Imputed income from assets is calculated on the total cash value of all family assets.

3. Lump sum receipts counted as assets.

- a. Commonly, when a family receives a large amount of money, a lump sum payment, the family will put the money in a checking or savings account, or will purchase stocks or bonds or a CD. Owners must count lump sum payments received by a tenant as assets. Examples of lump sum payments include the following:
- (1) Inheritances;
  - (2) Capital gains;
  - (3) Lottery winnings paid in one payment;
  - (4) Cash from the sale of assets;
  - (5) Insurance settlements (including health and accident insurance, workers compensation, and personal and property losses); and
  - (6) Any other amounts that are received in one-time lump sum payments.

**Example – Calculating the Cash Value of an Annuity**

Rodrigo Ramirez, site manager at Fernwood Forrest, has interviewed Barbara Barstow, an applicant who reports holding an annuity from which she will not receive payments for another 15 years when she turns 65. The applicant could not provide any more detail on the annuity but did report the name, address, and phone number of her insurance agent.

Rodrigo called the insurance agent and faxed a copy of the applicant's approval for release of information. As a result, Rodrigo learned that the annuity is a fixed annuity, with a current value of \$20,400 earning interest at an annual rate of 4.5%. The applicant could withdraw the current balance in the account but would pay a surrender penalty of \$3,000. If the annuity is withdrawn, then the applicant will owe \$1,200 in tax penalties.

In this example, the important information for calculating cash value is the current value, \$20,400; the surrender fee, \$3,000; and the tax penalties, \$1,200. If the applicant withdrew the cash from the annuity, after paying the surrender fee and tax penalty, then the amount of cash received would be \$16,200.

The cash value, \$16,200, is recorded as an asset.

Rodrigo will also calculate the actual anticipated income on this asset:  $\$20,400 \times .045 = \$918$ .

- b. A lump sum payment is counted as an asset only as long as the family continues to possess it. If the family uses the money for something that is not an asset—a car or a vacation or education—the lump sum must not be counted.
- c. It is possible that a lump sum or an asset purchased with a lump sum payment may result in enough income to require the family to report the increased income before the next regularly scheduled annual recertification. But this requirement to report an increase in income before the next annual recertification would not apply if the income from the asset was not measurable by the tenant (e.g., gems, stamp collection).

**Examples – Lump Sum Additions to Family Assets (One-Time Payment)**

- JoAnne Wettig won \$500 in the lottery and received it in one payment. Do not count the \$500 as income. At JoAnne's next annual recertification, she will report all of her assets.
- Mia LaRue, a tenant in a Section 8 property, won \$75,000 in one payment in the lottery. She buys a car with some of the money, and puts the remaining amount of \$24,000 in the bank. Mia receives her first bank statement and notices that the income on this asset is \$205 per month. She must report this increase in income because the family has experienced a cumulative increase in income of more than \$200 per month. (See paragraph 7-10 A.4 on rules for reporting interim increases in income.) The owner must perform an interim recertification and count the greater of the actual or imputed income on this asset (since the net family assets are greater than \$5,000).

- 4. Balances held in retirement accounts.
  - a. Balances held in retirement accounts are counted as assets if the money is accessible to the family member. For individuals still employed, accessible amounts are counted even if withdrawal would result in a penalty. However, amounts that would be accessible only if the person retired are not counted.
  - b. IRA, Keogh, and similar retirement savings accounts are counted as assets, even though withdrawal would result in a penalty.
  - c. Include contributions to company retirement/pension funds:
    - (1) While an individual is employed, count only amounts the family can withdraw without retiring or terminating employment.

- (2) After retiring or terminating employment, count as an asset any amount the employee elects to receive as a lump sum.
- d. Include in *annual income* any retirement benefits received through periodic payments.

**Examples – Balances Held in an IRA or 401K Retirement Account**

- Jed Dozier's 401K account balance is \$35,000. He is able to terminate his participation in the retirement plan without quitting his job, but if he did so he would lose a part of his employer's contribution and would pay a penalty fee. The total cash he could withdraw, \$18,000, is the amount that is counted as an asset.

\*\*

5. \*\*Federal Government Pensions

In instances where the applicant/tenant is a retired Federal government employee receiving a pension that is determined by a state court in a divorce, annulment of marriage, or legal separation proceeding to be a marital asset and the court provides OPM with the appropriate instructions to authorize OPM to provide payment of a portion of the retiree's pension to a former spouse, that portion to be paid directly to the former spouse is not counted as income for the applicant/tenant. However, where the tenant/applicant is the former spouse of a retired Federal government employee, any amounts received pursuant to a court ordered settlement in connection with a divorce, annulment of marriage, or legal separation are reflected on a Form-1099 and is counted as income for the applicant/tenant. (See Paragraph 5-6.K.4 for more information on Federal pension funds paid to a former spouse.)\*\*

6. Mortgage or deed of trust.

- a. Occasionally, when an individual sells a piece of real estate, the seller may loan money to the purchaser through a mortgage or deed of trust. This may be referred to as a "contract sale."
- b. A mortgage or deed of trust held by a family member is included as an asset. Payments on this type of asset are often received as one combined payment **\*\*that\*\*** includes interest and principal. The value of the asset is the unpaid principal **\*\*as of the effective date of the certification.\*\*** Each year this balance will decline as more principal is paid off. The interest portion of the payment is counted as actual income from an asset.

7. Assets disposed of for less than fair market value. Applicants and tenants must declare whether an asset has been disposed of for less than fair market value at each certification and recertification. Owners must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount actually received. (This provision does not apply to families receiving only BMIR assistance.)
- a. Any asset that is disposed of for less than its full value is counted, including cash gifts as well as property. To determine the amount that has been given away, owners must compare the cash value of the asset to any amount received in compensation.
  - b. However, the rule applies only when the fair market value of all assets given away during the past two years exceeds the gross amount received by more than \$1,000.

**Examples – Assets of More or Less Than \$1,000 Disposed of for Less Than Fair Market Value**

- During the past two years, Alexis Turner donated \$300 to the local food bank, \$150 to a camp program, and \$200 to her church. The total amount she disposed of for less than fair market value is \$650. Since the total is less than \$1,000, the donations are not treated as assets disposed of for less than fair market value.
- Jackson Jones gave each of his three children \$500. Because the total exceeds \$1,000, the gifts are treated as assets disposed of for less than fair market value.

- c. When the two-year period expires, the income assigned to the disposed asset also expires. If the two-year period ends in the middle of a recertification year, then the tenant may request an interim recertification to remove the disposed asset(s).

**Example – Asset Disposed of for Less Than Fair Market Value**

Margot Lundberg's recertification will be effective January 1. On that date, it will be 18 months since she sold her house to her daughter for \$60,000 less than its value. The owner will count income on the \$60,000 for only six months. (After six months, the two-year limit on assets disposed of for less than fair market value will have expired.)

- d. Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce, or separation are *not* counted.
- e. Assets placed in nonrevocable trusts are considered as assets disposed of for less than fair market value except when the assets placed in trust were received through settlements or judgements.
- f. Applicants and tenants must sign a self-verification form at their initial certification and each annual recertification identifying all assets that have been disposed of for less than fair market value or certifying that no assets have been disposed of for less than fair market value.
- g. Owners need to verify the tenant self certification only if the information does not appear to agree with other information reported by the tenant/applicant.

#### Examples – Asset Disposed of for Less Than Market Value

- (1) An applicant “sold” her home to her daughter for \$10,000. The home was valued at \$89,000 and had no loans secured against it. Broker fees and settlement costs are estimated at \$1,800.

\$89,000	Market value
<u>- 1,800</u>	Fees
\$87,200	Cash value
<u>- 10,000</u>	Sales price to daughter
\$77,200	Asset disposed of for less than fair market value

In this example, the asset disposed of for less than fair market value is \$77,200. That amount is counted as the resident’s asset for two years from the date the sale took place.

(The \$10,000 received from the daughter may currently be in a savings account or other asset or may have been spent. The \$10,000 will be counted as an asset if the applicant has not spent the money.)

- (2) A resident contributed \$10,000 to her grandson’s college tuition and gave her two granddaughters \$4,000 each to save for college.

\$10,000	College tuition gift
<u>+ 8,000</u>	Gift to granddaughters
\$18,000	Asset disposed of for less than fair market value

The \$18,000 disposed of for less than fair market value is counted as the tenant’s asset for two years from the date each asset was given away.





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## Section 3: Verification

### 5-1 Key Regulations

This paragraph identifies key regulatory citations pertaining to Section 3: Verification. The citations and their titles (or topics) are listed below.

- A. 24 CFR part 5, subpart B – Disclosure and Verification of Social Security Numbers and Employer Identification Numbers; Procedures for Obtaining Income Information
- B. 24 CFR 5.659 Family Information and Verification
- C. 24 CFR 8.24, 8.32, 100.204 (Reasonable accommodation)

### 5-2 Verification Requirements

#### A. Key Requirements

- 1. Owners must verify all income, assets, expenses, deductions, family characteristics, and circumstances that affect family eligibility or level of assistance.
- 2. Applicants and adult family members must sign consent forms to authorize the owner to collect information to verify eligibility, income, assets, expenses, and deductions. Applicants and tenants who do not sign required consent forms will not receive assistance.
- 3. Family members 6 years of age and older must provide the owner with a complete and accurate social security number. For any members of the family who do not have a social security number, the applicant or family member must certify that the individual has never received a social security number. This requirement is described in paragraphs 3-9 and 3-**\*\*31\*\*** of this handbook.
- 4. The owner must handle any information obtained to verify eligibility or income in accordance with the Privacy Act.

**Figure 5-4: Privacy Act Notice**

The Department of Housing and Urban Development (HUD) is authorized to collect this information by the U.S. Housing Act of 1937 (42 U.S.C. 1437 et. seq.), by Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), and by the Fair Housing Act (42 U.S.C. 3601-19). The Housing and Community Development Act of 1987 (42 U.S.C. 3543) requires applicants and participants to submit the social security number of each household member who is 6 years old or older.

**Purpose:** Your income and other information are being collected by HUD to determine your eligibility, the appropriate bedroom size, and the amount your family will pay toward rent and utilities.

**Other Uses:** HUD uses your family income and other information to assist in managing and monitoring HUD-assisted housing programs, to protect the Government's financial interest, and to verify the accuracy of the information you provide. This information may be released to appropriate federal, state, and local agencies, when relevant, and to civil, criminal, or regulatory investigators and prosecutors. However, the information will not be otherwise disclosed or released outside of HUD, except as permitted or required by law.

**Penalty:** You must provide all of the information requested by the owner, including all social security numbers you, and all other household members age 6 years and older, have and use. Giving the social security numbers of all household members 6 years of age and older is mandatory, and not providing the social security numbers will affect your eligibility. Failure to provide any of the requested information may result in a delay or rejection of your eligibility approval.

**B. Timeframe for Conducting Verifications**

Owners conduct verifications at the following three times.

1. Owners must verify income, assets, expenses, and deductions and all eligibility requirements prior to move-in.
2. Owners must verify each family's income, assets, expenses, and deductions as part of the annual recertification process. Refer to Chapter 7, Section 1 for information on annual recertifications.
3. Owners must verify changes in income, allowances, or family characteristics reported between annual recertifications. Refer to Chapter 7, Section 2 for information on interim recertifications.

## 5-3 Acceptable Verification Methods

### A. Methods of Verification

Owners must use verification methods that are acceptable to HUD. The owner is responsible for determining if the verification documentation is adequate and credible. HUD accepts three methods of verification. These are, in order of acceptability, third-party verification, review of documents, and family certification. If third-party verification is not available, owners must document the tenant file to explain why third-party verification was not available. **Appendix 3** provides a detailed list of acceptable forms of verification by type of information.

### B. Third-Party Verification

The following describes ways in which third-party verification may be obtained.

1. Written. Written documentation sent directly by a third-party source is the preferred method of verification. It is assumed that third-party sources will send written verification to the owner through the mail. (For information about electronic documentation, see subparagraph B3 below.)

The applicant or tenant should not hand-carry the verification to or from the third-party source. If the verification does not contain an original signature or is delivered by the applicant or tenant, the owner should examine the document for evidence of tampering. In these situations, the owner may, but does not have to, accept the document as acceptable verification.

2. Oral. Oral verification, by telephone, from a reliable third-party source is an acceptable verification method. Owners frequently use this method when the third party does not respond to the written verification request. When verifying information over the telephone, it is important to be certain that the person on the telephone is the party he or she claims to be. Generally, it is best to telephone the verification source rather than to accept verification from a source calling the property management office. Oral verification must be documented in the file, as described in paragraph 5-19 C.

**NOTE: Appendix 3** includes selected phone numbers of verification sources for employment and income records. However, they do not take the place of third party verification. The phone numbers contained in **Appendix 3** are not toll free but such calls are valid project expenses.

3. Electronic. The owner may obtain accurate third-party written verification by facsimile, e-mail, or Internet, if adequate effort is made to ensure that the sender is a valid third-party source.

- a. Facsimile. Information sent by fax is most reliable if the owner and the verification source agree to use this method in advance during a telephone conversation. The fax should include the company name and fax number of the verification source.
- b. E-mail. Similar to faxed information, information verified by e-mail is more reliable when preceded by a telephone conversation and/or when the e-mail address includes the name of an appropriate individual and firm.
- c. Internet. Information verified on the Internet is considered third party verification if the owner is able to view web-based information from a reputable source on the computer screen. Use of a printout from the Internet may also be adequate verification in many instances. Refer to subparagraph C. Review of Documents below.

**Example – Verification by Internet Printout**

Jose Perez maintains a portfolio of stocks and bonds through an Internet-based stockbroker. The broker only provides electronic account statements and will not respond to a written verification request. The owner may accept a printout of Jose's most recent statement if it includes the relevant information required for a third-party verification and an Internet address and header or footer that identifies the company issuing the statement. If the owner has reason to question the authenticity of a document, the owner may require Jose to access the electronic file via the Internet in the owner's office, without providing the owner with username or password information.

**C. Review of Documents**

1. An owner may review documents submitted by the applicant or tenant in one of the following situations:
  - a. Third-party verification is not possible or is not required. For example, verifying that a family member is over 62 years old is more appropriately accomplished by examining a birth certificate than through third-party verification. \*\*When third party verification is not possible, refer to paragraph 5-19 E for documenting the file.\*\*
  - b. Third-party verification is delayed. If information from a third party is not received within two weeks of its request, owners may consider original documents submitted by the tenant.\*\*

**Examples – Appropriate Occasions to Verify Information through a Review of Documents**

- The owner sent a verification request to the tenant's employer but did not receive a response. The owner then made several calls to the employer but has not received a return call. The owner may use a review of documents (pay stubs) for verification. The owner should insist on a series of consecutive, recent pay stubs and should have a standard policy indicating the number of consecutive pay stubs required.
- The tenant's bank charges the bank account a fee for completing verification requests. The owner allows the resident to provide a current savings account statement or checking account statements for the past six months.
- The tenant's employer uses a 900 phone number, which results in a charge to the owner's phone to provide income verification. (In this case, the owner will accept the most recent consecutive eight pay stubs to verify earned income.)
- In cases where there is no third party available, a review of documents will always be appropriate. To verify a person's age, a birth certificate may be used. A social security card is the best verification of a social security number.

2. An owner must place copies of the reviewed documents in the applicant's or tenant's file. If copies cannot be made, the person reviewing the original documents must list the reviewed documents and the information provided on the documents, and must initial and date the notation.
3. Obtaining accurate verification through a review of documents requires the owner to consider the following:
  - a. Is the document current? Documentation of public assistance may be inaccurate if it is not recent and does not show any changes in the family's benefits or work and training activities.
  - b. Is the documentation complete? Owners may not accept pay stubs to document employment income unless the applicant or tenant provides the most recent **\*\*four to six\*\*** pay stubs to illustrate variations in hours worked. Actual paychecks or copies of paychecks should never be used to document income because deductions are not shown on the paycheck.

- c. Is the document an unaltered original? The greatest shortcoming of documents as a verification source is their susceptibility to undetectable change through the use of high-quality copying equipment. Documents with original signatures are the most reliable. Photocopied documents generally cannot be assumed to be reliable.

#### D. Family Certification

An owner may accept a tenant's notarized statement **\*\*or signed affidavit\*\*** regarding the veracity of information submitted if the information cannot be verified by another acceptable verification method.

### 5-4 Identifying Appropriate Verification Sources

An owner must only collect information that is necessary to determine the applicant's or tenant's eligibility for assistance or level of assistance. **Appendix 3** provides a list of acceptable forms of third-party verification.

### 5-5 Required Verification and Consent Forms

#### A. Consent and Verification Forms

Adult members of assisted families must authorize owners to request independent verification of data required for program participation. To provide owners with this authorization, adult family members must sign two HUD-required consent forms plus the owner's specialized verification forms. Owners must create their own verification forms to request information from employers, child care providers, medical professionals, and others. Families sign these and the two HUD consent forms at the time of **\*\*move-in\*\*** certification and annual recertification. All adults in each assisted family must sign the required consent forms or the family must be denied assistance. Owners must give the family a copy of each form the family signed, a HUD Fact Sheet, and the Resident Rights and Responsibilities brochure.

#### B. HUD-Required Consent and Release Forms

Applicants and tenants must sign two HUD-required consent forms.

1. Form HUD-9887, Notice and Consent to the Release of Information to HUD and to a PHA. Each adult member must sign the form regardless of whether he or she has income. The head of household, spouse, co-head and each family member who is at least 18 years of age must sign this form **\*\*at move-in and at each annual recertification\*\***. The form is valid for 15 months from the date of signature. The consent allows HUD or a public housing agency to verify information with the Internal Revenue Service, the Social Security Administration, and with state agencies that maintain wage and unemployment claim information. Owners must keep the original signed form in the tenant's file and provide a copy to the family. Exhibit 5-5 contains a copy of form HUD-9887.

2. Form HUD 9887-A, Applicant's/Tenant's Consent to the Release of Information – Verification by Owners of Information Supplied by Individuals Who Apply for Housing Assistance. Owners and the head of household, spouse, co-head and each family member who is at least 18 years of age must sign **\*\*a HUD-9887-A\*\*** form **\*\*at move-in and at each annual recertification\*\***. Each adult member must sign a form regardless of whether he or she has income. The consent allows owners to request and receive information from third-party sources about the applicant or tenant. Owners keep the original form in the tenant's file and provide a copy to the family. Exhibit 5-6 contains a copy of form HUD 9887-A.

#### C. Information to Tenants

Owners must provide applicants and tenants with the HUD Fact Sheet and a copy of the Resident Rights and Responsibilities brochure.

1. HUD-9887 Fact Sheet. When applicants and tenants sign form HUD-9887 and form HUD 9887-A, owners must provide each family with a copy of the HUD Fact Sheet. This Fact Sheet describes the verification requirements for applicants and tenants and the tenant protections that are part of the verification process. Exhibit 5-7 contains a copy of the HUD Fact Sheet.
2. Resident Rights and Responsibilities Brochure. In addition, owners must provide applicants and tenants with a copy of the Resident Rights and Responsibilities brochure at move-in and annually at recertification. Copies of the brochure may be obtained by calling the HUD National Multifamily Clearinghouse at 800-685-8470.

#### D. Owner-Created Verification Forms

1. Owners must create verification forms for specific verification needs and must include the language required by HUD as shown in Figure 5-5. **Appendix \*\*6\*\*** contains instructions, a sample verification consent, and guidance about the types of information to request when verifying income and eligibility.
2. It is important that the applicant or tenant know whom owners will ask to provide information and to whom the completed form will be returned. Therefore, verification forms must clearly state in a prominent location that the applicant or tenant may not sign the consent if the form does not clearly indicate who will provide the requested information and who will receive the information. When sending a request for verification to a third party, owners send the verification form with the applicant's or tenant's original signature to the third-party source. Owners must retain a copy of the verification form and provide a copy to the applicant or tenant upon request.

**Figure 5-5: Language Required in all Consent Forms**

The following statement must appear on all consent forms developed by owners:

"Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government. HUD and any owner (or any employee of HUD or the owner) may be subject to penalties for unauthorized disclosures or improper use of information collected based on the consent form. Use of the information collected based on this verification form is restricted to the purposes cited above. Any person who knowingly or willingly requests, obtains or discloses any information under false pretenses concerning an applicant or participant may be subject to a misdemeanor and fined not more than \$5,000. Any applicant or participant affected by negligent disclosure of information may bring civil action for damages, and seek other relief, as may be appropriate, against the officer or employee of HUD or the owner responsible for the unauthorized disclosure or improper use. Penalty provisions for misusing the social security number are contained in the \*\*Social Security Act at 208 (a) (6), (7) and (8). Violation of these provisions are cited as violations of 42 U.S.C. 408 (a) (6), (7) and (8).\*\*

## **5-6 Social Security and Supplemental Security Income Data Match**

- A. Owners verify social security income and supplemental security income electronically through TRACS. If there is a discrepancy between income reported by the tenant or applicant and income provided by the Social Security Administration (SSA), TRACS will automatically generate a message that is sent to the owner. The owner must attempt to contact the applicant or tenant to disclose the discrepancy. \*\*
- B. Additional information is available on HUD's website page describing the tenant assessment system (for tenant income verification) (TASS):

[www.hud.gov/offices/reac/products/prodtass.cfm](http://www.hud.gov/offices/reac/products/prodtass.cfm)

TASS is a computer-based tool to assist owners in verifying tenant incomes by comparing tenant-reported information to information in other HUD systems from the Social Security Administration and the Internal Revenue Service.

## **5-7 Effective Term of Verifications**

Signed verification and consent forms must be used within a reasonable time after the applicant or tenant has signed if the tenant's signature is to represent a valid and current authorization by the family. Therefore, HUD has set specific limits on the duration of verification consents. In addition, verified information must be used in a timely manner since family circumstances are subject to change. HUD places several other limits on the information that may be requested and when and how it may be used.



## A. Duration of Verification Authorization

Owner-created verification forms and the forms HUD 9887 and 9887-A expire 15 months after they are signed. Owners must ensure that the forms HUD 9887 and 9887-A have not expired when processing verifications. However, there are differences between the duration of form HUD-9887 and that of the individual verification forms.

1. The form HUD 9887-A and individual verification forms can be used during the 120 days before the certification period. During the certification period, however, these forms may be used only in cases where the owner receives information indicating that the information the tenant has provided may be incorrect. Other uses are prohibited.
2. Owners may verify anticipated income using individual verification forms to gather prospective information when necessary (e.g., verifying seasonal employment). Historical information that owners may request using individual verification forms is restricted as follows:
  - a. Information requested by individual verification forms is restricted to data that is no more than 12 months old.
  - b. However, if the owner receives inconsistent information and has reason to believe that the information the applicant or tenant has supplied is incorrect, the owner may obtain information from any time in the last five years when the individual was receiving assistance, as provided by the form HUD 9887-A.
3. The form HUD-9887 may be used at any time during the entire 15 month period. The information covered by the form HUD-9887 is restricted as follows:
  - a. State Wage Information Collection Agency (SWICA). Information received from SWICA is limited to wages and unemployment compensation the applicant or tenant received during the last five years she/he received housing assistance.
  - b. Internal Revenue Service and Social Security Administration. form HUD-9887 authorizes release by IRS and SSA of data from only the current income tax return and IRS W-2 form.

If the IRS or SSA matches reveal that the tenant may have supplied inconsistent information, HUD may request that the tenant consent to the owner acquiring information on the last five years during the periods in which the tenant was receiving assistance.

## B. Effective Term of Verifications

1. Verifications are valid for **\*\*120\*\*** days from the date of receipt by the owner.

\*\*

2. If verifications are more than 120 days old, the owner must obtain new verifications.
3. Time limits do not apply to information that does not need to be reverified, such as:
  - a. Age;
  - b. Disability status;
  - c. Family membership; or
  - d. Citizenship status.
4. Time limits also do not apply to the verification of social security numbers; however, at each recertification any family member who has previously reported having never received a social security number, must be asked:
  - a. To supply verification of a social security number if one has been received; or
  - b. To certify, again, that he/she has never received a social security number.

## **5-8 Inconsistent Information Obtained Through Verifications**

An owner may not take any action to reduce, suspend, deny, or terminate assistance based on inconsistent information received during the verification process until the owner has independently investigated the information. The owner should follow procedures for addressing errors and fraud and for terminating assistance in accordance with Chapter 8.

## **5-9 Documenting Verifications**

### **A. Key Requirement**

Owners must include verification documentation in the tenant file.

### **B. Documenting Third-Party Verification**

Third-party verification received through the mail or by facsimile transmission must be put in the tenant file.

### **C. Documenting Telephone Verification**

When verifying information by phone, the owner must record and include in the tenant's file the following information:

1. Third-party's name, position, and contact information;

2. Information reported by the third party;
3. Name of the person who conducted the telephone interview; and
4. Date and time of the telephone call.

**D. Recording Inspection of Original Documents**

Original documents should be photocopied, and the photocopy should be placed in the tenant file. If the original document cannot be copied, a clear note to the file must describe the type of document, the information contained in the document, the name of the person who reviewed the document, and the date of that review.

**NOTE:** It is not mandatory that social security cards be copied. See **Appendix 3** for alternate methods.

**E. Documenting Why Third-Party Verification Is Not Available**

When third-party verification is not available, owners must document in the file efforts made to obtain the required verification and the reason the verification was not obtained. The owner must include the following documents in the applicant's or tenant's file:

1. A written note to the file explaining why third-party verification is not possible; or
2. A copy of the date-stamped original request that was sent to the third party;
3. Written notes or documentation indicating follow-up efforts to reach the third party to obtain verification; and
4. A written note to the file indicating that the request has been outstanding without a response from the third party.

**F. Reasonable Accommodation**

If an applicant or tenant cannot read or sign a consent form because of a disability, the owner must provide a reasonable accommodation. See Chapter 2, Section 3, Subsection 4 for a description of the requirements regarding reasonable accommodations.

**Examples – Reasonable Accommodation**

- Provide forms in large print.
- Provide readers for persons with visual disabilities.
- Allow the use of a designated signatory.

- Visit the person's home if the applicant or tenant cannot travel to the office to complete the forms.

## 5-10 Confidentiality of Applicant and Tenant Information

- A. Federal law limits the information owners can collect about an applicant or tenant to only information that is necessary to determine eligibility and level of assistance.
- B. Federal privacy requirements also establish the responsibility of owners and their employees to use information provided by applicants and tenants only for specified program purposes and to prevent the use or disclosure of this information for other purposes.
  1. To help ensure the privacy of applicant and tenant information, owners and their employees are subject to penalties for unauthorized disclosure of applicant/tenant information. In addition, applicants and tenants may initiate civil action against an owner for unauthorized disclosure or improper use of the information they provided. Language on the HUD-required consent forms, the verification forms developed by owners, and the \*\*HUD-50059\*\* clearly describes owners' responsibility regarding the privacy of this information and the possible penalties.
  2. HUD encourages owners to develop their own procedures and internal controls to prevent the improper use or unauthorized disclosure of information about applicants and tenants. Adequate procedures and controls protect not only applicants and tenants, but also owners.
- C. Owners must also comply with state privacy laws concerning the information they receive from third-party sources about applicants and tenants. These laws generally require confidentiality and restrict the uses of this information.

## 5-11 Refusal to Sign Consent Forms

- A. If an applicant refuses to sign forms HUD 9887 or 9887-A or the owner's verification forms, the owner must deny assistance.
- B. If a tenant refuses to sign the required verification and consent forms, the owner must terminate assistance. If the owner intends to terminate assistance for this reason, the owner must follow procedures established in the lease that require the tenant to pay the HUD-approved market rent for the unit. In a Section 202 PRAC or Section 811 PRAC project, the tenant may be evicted if the tenant refuses to sign the required verification and consent forms.
- C. If a tenant is unable to sign the forms on time due to extenuating circumstances, the owner must document the reasons for the delay in the tenant file and indicate how and when the tenant will provide the proper signature.

**Examples – Tenant Failure to Sign Consent Forms Due to Extenuating Circumstances**

- Jonas and Joycelyn Hardwick were to have forms HUD 9887 and 9887-A signed by their adult son. However, he was in an automobile accident and has been in a coma.
- Lydia Bailey's husband has been temporarily assigned to overseas duty as part of a missionary hunger-relief program. She has signed consent forms, and the forms have been mailed to him but have not been returned. She reports that mail has recently been taking five or six weeks.

## **5-12 Interim Recertifications**

When processing an interim recertification, the owner must ask the tenant to identify all changes in income, expenses, or family composition since the last recertification. Owners only need verify those items that have changed. For example, if the head of household was laid off from his or her job and asks the owner to prepare an interim recertification, the owner does not need to reverify the spouse's employment income unless that has also changed. When the tenant signs the certification she or he certifies that the information on the report is accurate and current. Additional information about the procedures for conducting interim recertifications is discussed in Chapter 7, Section 2.

## **5-13 Record-Keeping Procedures**

- A. Owners must keep the following documents in the tenant's file at the project site:
  1. All original, signed forms HUD 9887 and HUD 9887-A;
  2. A copy of signed individual consent forms; and
  3. Third-party verifications.
- B. Owners must maintain documentation of all verification efforts throughout the term of each tenancy and for at least three years after the tenant moves out
- C. \*\*The tenant's file should be available for review by the tenant upon request or by a third party who provides signed authorization for access from the tenant.\*\*
- D. Owners must maintain applicant and tenant information in a way to ensure confidentiality. Any applicant or tenant affected by negligent disclosure or improper use of information may bring civil action for damages and seek other relief, as appropriate, against the employee. Forms HUD 9887 and 9887-A describe the penalties for the improper use of consent forms.

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- E.     \*\*Owners must dispose of tenant files and records in a manner that will prevent any unauthorized access to personal information, e.g., burn, pulverize, shred, etc.\*\*

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## **Chapter 5 Exhibits**

- 5-1. Income Inclusions and Exclusions
- 5-2. Assets

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## Exhibit 5-1: Income Inclusions and Exclusions

### 24 CFR 5.609(b) and (c)

Examples included in parentheses have been added to the regulatory language for clarification.

#### INCOME INCLUSIONS

- (1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- (2) The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;
- (3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;
- (4) The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a <sup>\*\*</sup>periodic amount (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). See paragraph (13) under Income Exclusions for an exception to this paragraph;<sup>\*\*</sup>
- (5) Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions;
- (6) Welfare Assistance.
  - (a) Welfare assistance received by the family.

- (b) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
  - (c) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
  - (d) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;
- (7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling; and
- (8) All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.
- \*\* (9) For Section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 *et seq.*), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph "financial assistance" does not include loan proceeds for the purpose of determining income.\*\*

#### INCOME EXCLUSIONS

- (1) Income from employment of children (including foster children) under the age of 18 years;
- (2) Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone);
- (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses, except as provided in paragraph (5) under Income Inclusions;
- (4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
- (5) Income of a live-in aide, as defined in 24 CFR 5.403;
- (6) The full amount of student financial assistance paid directly to the student or to the educational institution \*\* (see Income Inclusions (9), above, for students receiving Section 8 assistance.)\*\*
- (7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm);

- (8) (a) Amounts received under training programs funded by HUD (e.g., training received under Section 3);
- (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS);
- (c) Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
- (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident-initiative coordination. No resident may receive more than one such stipend during the same period of time; or
- (e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.
- (9) Temporary, nonrecurring, or sporadic income (including gifts);
- (10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. (Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era);
- (11) Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of household and spouse);
- (12) Adoption assistance payments in excess of \$480 per adopted child;
- (13) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;
- (14) Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;
- (15) Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or
- (16) Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the *Federal Register* and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

The following is a list of income sources that qualify for that exclusion:

- (a) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017 [b]);
- (b) Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (42 U.S.C. 5044(g), 5058) (employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
- (c) Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626[c]);
- (d) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);
- (e) Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624[f]);
- (f) Payments received under programs funded in whole or in part under the Job Training Partnership Act (29 U.S.C. 1552[b]); (effective July 1, 2000, references to Job Training Partnership Act shall be deemed to refer to the corresponding provision of the Workforce Investment Act of 1998 [29 U.S.C. 2931], e.g., employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs, career intern programs, Americorps);
- (g) Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L- 94-540, 90 Stat. 2503-04);
- (h) The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U. S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands (25 U.S.C. 1407-1408);
- (i) Amounts of scholarships funded under title IV of the Higher Education Act of 1965, including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);
- (j) Payments received from programs funded under Title V of the Older Americans Act of 1985 (42 U.S.C. 3056[f]), e.g., Green Thumb, Senior Aides, Older American Community Service Employment Program;
- (k) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in *In Re Agent*-product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- (l) Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
- (m) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);
- (n) Earned income tax credit (EITC) refund payments received on or after January 1, 1991, including advanced earned income credit payments (26 U.S.C. 32[j]);
- (o) Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433);
- (p) Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637[d]);
- (q) Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina

bifida who is the child of a Vietnam veteran (38 U.S.C. 1805);

- (r) Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act (42 U.S.C. 10602); and
- (s) Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).

## Exhibit 5-2: Assets

**NOTE:** There is no asset limitation for participation in HUD assisted-housing programs. However, the definition of annual income includes net income from family assets.

A. Net Family Assets include the following:

1. Cash held in savings and checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average balance for the last six months. Assets held in foreign countries are considered assets.
2. Revocable trusts. Include the cash value of any revocable trust available to the family. See discussion of trusts in paragraph 5-7 G.1.
3. Equity in rental property or other capital investments. Include the current fair market value less (a) any unpaid balance on any loans secured by the property and (b) reasonable costs that would be incurred in selling the asset (e.g., penalties, broker fees, etc.).

**NOTE:** If the person's main business is real estate, then count any income as business income under paragraph 5-6 G of the chapter. Do not count it both as an asset and business income.

4. Stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts. Interest or dividends earned are counted as income from assets even when the earnings are reinvested. The value of stocks and other assets vary from one day to another. The value of the asset may go up or down the day before or after rent is calculated and multiple times during the year thereafter. The owner may assess the value of these assets at any time after the authorization for the release of information has been received. The tenant may request an interim recertification at any time thereafter that a decrease in stock value may result in a decrease in rent.
5. Individual retirement, 401K, and Keogh accounts. These are included when the holder has access to the funds, even though a penalty may be assessed. If the individual is making occasional withdrawals from the account, determine the amount of the asset by using the average balance for the previous six months. (Do not count withdrawals as income.)

### Example – Withdrawals from a Keogh Account

Ly Pham has a Keogh account valued at \$30,000. When she turns 70 years old, she begins drawing \$2,000 a year. Continue to count the account as an asset. Use the guidance in paragraph 5-7 to determine the cash value and imputed income from the asset. Do not count the \$2,000 she withdraws as income.

6. Retirement and pension funds.

- a. While the person is employed. Include only amounts the family can withdraw without retiring or terminating employment. Count the whole amount less any penalties or transaction costs. Follow paragraph 5-7 G.4 of the chapter on determining the value of assets.
- b. At retirement, termination of employment, or withdrawal. Periodic receipts from pension and retirement funds are counted as income. Lump-sum receipts from pension and retirement funds are counted as assets. Count the amount as an asset or as income, as provided below.
  - (1) If benefits will be received in a lump sum, include the lump-sum receipt in net family assets.
  - (2) If benefits will be received through periodic payments, include the benefits in annual income. Do not count any remaining amounts in the account as an asset.
  - (3) If the individual initially receives a lump-sum benefit followed by periodic payments, count the lump-sum benefit as an asset as provided in the example below and treat the periodic payment as income. In subsequent years, count only the periodic payment as income. Do not count the remaining amount as an asset.

**NOTE:** This paragraph and the example below assume that the lump-sum receipt is a one-time receipt and that it does not represent delayed periodic payments. However, in situations in which a lump-sum payment does represent delayed periodic payments, then the amount would be considered as income and not an asset.

**Example – Retirement Benefits as Lump-Sum and Periodic Payments**

Upon retirement, Eleanor Reilly received a lump-sum payment of \$15,000. She will also receive periodic pension payments of \$350 a month.

The lump-sum amount of \$15,000 is generally treated as an asset. In this instance, however, Eleanor spent \$5,000 of the lump sum on a trip following her retirement. The remaining \$10,000 she placed in her mutual fund with other savings. The entire mutual fund will be counted as an asset.

The owner has verified that Eleanor is now not able to withdraw the balance from her pension. Therefore, the owner will count the \$350 monthly pension payment as annual income and will not list the pension account as an asset.

7. Cash value of life insurance policies available to the individual before death (e.g., the surrender value of a whole life policy or a universal life policy). It would not include a value for term insurance, which has no cash value to the individual before death.
8. Personal property held as an investment. Include gems, jewelry, coin collections, or antique cars held as an investment. Personal jewelry is NOT considered an asset.
9. Lump-sum receipts or one-time receipts. (See paragraph 5-6 **\*\*P\*\*** for additional information on what is counted as a lump-sum receipt and how to treat lump-sum receipts.) These include inheritances, capital gains, one-time lottery winnings, victim's restitution, settlements on insurance claims (including health and accident insurance, worker's compensation, and personal or property losses), and any other amounts that are not intended as periodic payments.
10. A mortgage or deed of trust held by an applicant.
  - a. Payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset.
  - b. This combined figure needs to be separated into the principal and interest portions of the payment. (This can be done by referring to an amortization schedule that relates to the specific term and interest rate of the mortgage.)
  - c. To count the actual income for this asset, use the interest portion due, based on the amortization schedule, for the 12-month period following the certification.
  - d. To count the imputed income for this asset, determine the asset value **\*\*as of the effective date of the certification\*\***. Since this amount will continually be reduced by the principal portion paid during the previous year, the owner will have to determine this amount at each annual recertification. See the following example:

### **Example – Deed of Trust and Imputed Income**

#### Computation of imputed income:

An elderly tenant sells her home and holds the mortgage for the buyer. The cash value of the mortgage is \$60,000. The combined payment of principal and interest expected to be received for the upcoming year is \$5,000. The amortization schedule breaks that payment into \$2,000 in principal and \$3,000 in interest. In completing the asset income calculation, the cash value of the asset is \$60,000, and the projected annual income from that asset is \$3,000. **\*\*The imputed income would be calculated by multiplying the cash value of \$60,000 by the 2% imputed passbook rate.\*\*** Each subsequent year, the cash value of the asset should be reduced by the principal portion paid. In this example, it would be reduced to \$58,000 in the following year (\$60,000 – \$2,000 principal payment = \$58,000). **\*\*When calculating the imputed income for the following year, the owner would multiply the cash value of \$58,000 by the 2% passbook savings rate.\*\***



### Regulatory References

(These references are current as of the date of publication. Readers should refer to the latest edition of the Code of Federal Regulations.)

24 CFR part 5.603 defines net family assets as follows:

Net cash value after deducting reasonable costs that would be incurred in disposing of real property, savings, stocks, bonds, and other forms of capital investment, excluding interests in Indian trust land and the equity accounts in HUD homeownership programs. The value of necessary items of personal property such as furniture and automobiles shall be excluded. . . . In determining net family assets, owners shall include the value of any business or family assets disposed of by an applicant or tenant for less than fair market value (including a disposition in trust, but not in a foreclosure or bankruptcy sale) during the two years preceding the date of application for the program or recertification, as applicable, in excess of the consideration received therefor. In the case of a disposition as part of a separation or divorce settlement, the disposition will not be considered to be for less than fair market value if the applicant or tenant receives important consideration not measurable in dollar terms.

B. Net family assets **DO NOT** include the following:

**IMPORTANT:** The owner does not compute income from any assets in this paragraph.

1. Personal property (clothing, furniture, cars, wedding ring, other jewelry that is not held as an investment, vehicles specially equipped for persons with disabilities).
2. Interests in Indian trust land.
3. Term life insurance policies (i.e., where there is no cash value).
4. Equity in the cooperative unit in which the family lives.
5. Assets that are part of an active business. "Business" does NOT include rental of properties that are held as investments unless such properties are the applicant's or tenant's main occupation.

#### Example – Assets that are Part of an Active Business

- Laura and Lester Hines own a copier and courier service. None of the equipment that they use in their business is counted as an asset (e.g., the copiers, the FAX machines, the bicycles).
- Alice Washington rents out the home that she and her husband lived in for 42 years. This home is not an active business asset. Therefore, it is considered an asset and the owner must determine the annual income that Alice receives from it.

6. Assets that are NOT effectively owned by the applicant. Assets are not effectively owned when they are held in an individual's name, but (a) the assets and any income they earn accrue to the benefit of someone else who is not a member of the family, and (b) that other person is responsible for income taxes incurred on income generated by the assets.

**NOTE:** Nonrevocable trusts (i.e., irrevocable trusts) are not covered by this paragraph. See information on nonrevocable trusts in paragraph 5-7 G.1.

**Example – Assets not Effectively  
Owned by the Applicant**

Net family assets do not include assets held pursuant to a power of attorney because one party is not competent to manage the assets, or assets held in a joint account solely to facilitate access to assets in the event of an emergency.

**Example:** Alexander Cumbow and his daughter, Emily Bornscheuer, have a bank account with both names on the account. Emily's name is on that account for the convenience of her father in case an emergency arises that would result in Emily handling payments for her father. Emily has not contributed to this asset, does not receive interest income from it, nor does she pay taxes on the interest earned. Therefore, Emily does not own this account. If Emily applies for assisted housing, the owner should not count this account as her asset. This asset belongs to Alexander and would be counted entirely as the father's asset should he apply for assisted housing.

7. Assets that are not accessible to the applicant and provide no income to the applicant. Nonrevocable trusts are not covered under this paragraph. See information on nonrevocable trusts in paragraph 5-7 G.1.

**Example**

A battered spouse owns a house with her husband. Because of the domestic situation, she receives no income from the asset and cannot convert the asset to cash.

## **Appendix 3**

### Acceptable Forms of Verification



### Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				Verification Tips
	Third Party <sup>a</sup>		Documents Provided by Applicant	Self-Declaration	
	Written <sup>b</sup>	Oral <sup>c</sup>			
<ul style="list-style-type: none"><li>• Age.</li></ul>	<ul style="list-style-type: none"><li>• None required.</li></ul>	<ul style="list-style-type: none"><li>• None required.</li></ul>	<ul style="list-style-type: none"><li>• Birth Certificate</li><li>• Baptismal Certificate</li><li>• Military Discharge papers</li><li>• Valid passport</li><li>• Census document showing age</li><li>• Naturalization certificate</li><li>• Social Security Administration Benefits printout</li></ul>		
<ul style="list-style-type: none"><li>• Alimony or child support.</li></ul>	<ul style="list-style-type: none"><li>• Copy of separation or divorce agreement provided by ex-spouse or court indicating type of support, amount, and payment schedule.</li><li>• Written statement provided by ex-spouse or income source indicating all of above.</li><li>• If applicable, written statement from court/attorney that payments are not being received and anticipated date of resumption of payments.</li></ul>	<ul style="list-style-type: none"><li>• Telephone or in-person contact with ex-spouse or income source documented in file by the owner.</li></ul>	<ul style="list-style-type: none"><li>• Copy of most recent check, recording date, amount, and check number.</li><li>• Recent original letters from the court.</li></ul>	<ul style="list-style-type: none"><li>• Notarized statement or affidavit signed by applicant indicating amount received.</li><li>• If applicable, notarized statement or affidavit from applicant indicating that payments are not being received and describing efforts to collect amounts due.</li></ul>	<ul style="list-style-type: none"><li>• Amounts awarded but not received can be excluded from annual income only when applicants have made reasonable efforts to collect amounts due, including filing with courts or agencies responsible for enforcing payments.</li></ul>

<sup>a</sup>**NOTE:** Requests for verification from third parties must be accompanied by a Consent to Release form.

<sup>b</sup>**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

<sup>c</sup>**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of third party.

### Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				Verification Tips
	Third Party <sup>a</sup>		Documents Provided by Applicant	Self-Declaration	
	Written <sup>b</sup>	Oral <sup>c</sup>			
<ul style="list-style-type: none"><li>Assets disposed of for less than fair market value.</li></ul>	<ul style="list-style-type: none"><li>None required.</li></ul>	<ul style="list-style-type: none"><li>None required.</li></ul>	<ul style="list-style-type: none"><li>None required.</li></ul>	<ul style="list-style-type: none"><li>Certification signed by applicant that no member of family has disposed of assets for less than fair market value during preceding two years.</li><li>If applicable, certification signed by the owner of the asset disposed of that shows:<ul style="list-style-type: none"><li>Type of assets disposed of;</li><li>Date disposed of;</li><li>Amount received; and</li><li>Market value of asset at the time of disposition.</li></ul></li></ul>	<ul style="list-style-type: none"><li>Only count assets disposed of within a two-year period prior to examination or re-examination.</li></ul>

<sup>a</sup>**NOTE:** Requests for verification from third parties must be accompanied by a Consent to Release form.

<sup>b</sup>**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

<sup>c</sup>**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of third party.

### Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				Verification Tips
	Third Party <sup>a</sup>		Documents Provided by Applicant	Self-Declaration	
	Written <sup>b</sup>	Oral <sup>c</sup>			
<ul style="list-style-type: none"><li>Auxiliary apparatus.</li></ul>	<ul style="list-style-type: none"><li>Written verification from source of costs and purpose of apparatus.</li><li>Written certification from doctor or rehabilitation agency that use of apparatus is necessary to employment of any family member.</li><li>In case where the disabled person is employed, statement from employer that apparatus is necessary for employment.</li></ul>	<ul style="list-style-type: none"><li>Telephone or in-person contact with these sources documented in file by the owner.</li></ul>	<ul style="list-style-type: none"><li>Copies of receipts or evidence of periodic payments for apparatus.</li></ul>		<ul style="list-style-type: none"><li>The owner must determine if expense is to be considered medical or disability assistance.</li></ul>
<ul style="list-style-type: none"><li>Care attendant for disabled family members.</li></ul>	<ul style="list-style-type: none"><li>Written verification from attendant stating amount received, frequency of payments, hours of care.</li><li>Written certification from doctor or rehabilitation agency that care is necessary to employment of family member.</li></ul>	<ul style="list-style-type: none"><li>Telephone or in-person contact with source documented in file by the owner.</li></ul>	<ul style="list-style-type: none"><li>Copies of receipts or cancelled checks indicating payment amount and frequency.</li></ul>	<ul style="list-style-type: none"><li>Notarized statement or signed affidavit attesting to amounts paid.</li></ul>	<ul style="list-style-type: none"><li>The owner must determine if this expense is to be considered medical or disability assistance.</li></ul>

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### Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				Verification Tips
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	Written <sup>b</sup>	Oral <sup>c</sup>			
<ul style="list-style-type: none"><li>Child care expenses (including verification that a family member who has been relieved of child care is working, attending school, or looking for employment).</li></ul>	<ul style="list-style-type: none"><li>Written verification from person who provides care indicating amount of payment, hours of care, names of children, frequency of payment, and whether or not care is necessary to employment or education.</li><li>Verification of employment as required under Employment Income.</li><li>Verification of student status (full or part-time) as required under Full-Time Student Status.</li></ul>	<ul style="list-style-type: none"><li>Telephone or in-person contact with these sources (child care provider, employer, school) documented in file by the owner.</li></ul>	<ul style="list-style-type: none"><li>Copies of receipts or cancelled checks indicating payments.</li><li>For school attendance, school records, such as paid fee statements that show that the time and duration of school attendance reasonably corresponds to the period of child care.</li></ul>	<ul style="list-style-type: none"><li>For verification of “looking for work,” details of job search effort as required by owner’s written policy.</li></ul>	<ul style="list-style-type: none"><li>Allowance provided only for care of children 12 and younger.</li><li>When same care provider takes care of children and disabled person, the owner must prorate expenses accordingly.</li><li>Owners should keep in mind that costs may be higher in summer months and during holiday periods.</li><li>The owner must determine which family member has been enabled to work.</li><li>Care for employment and education must be prorated to compare to earnings.</li><li>Costs must be “reasonable.”</li></ul>
<ul style="list-style-type: none"><li>Citizenship</li></ul>				<ul style="list-style-type: none"><li>Citizens must sign declaration certifying U.S. Citizenship.</li></ul>	<ul style="list-style-type: none"><li>Owners may require applicants/residents to provide verification of citizenship.</li></ul>

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<ul style="list-style-type: none"><li>• Current net family assets.</li></ul>	<ul style="list-style-type: none"><li>• Verification forms, letters or documents received from financial institutions, stock brokers, real estate agents, employers indicating the current value of the assets and penalties or reasonable costs to be incurred in order to convert nonliquid assets into cash.</li></ul>	<ul style="list-style-type: none"><li>• Telephone or in-person contact with appropriate source, documented in file by the owner.</li></ul>	<ul style="list-style-type: none"><li>• Passbooks, checking, or savings account statements, certificates of deposit, property appraisals, stock or bond documents, or other financial statements completed by financial institution.</li><li>• Copies of real estate tax statements, if tax authority uses approximate market value.</li><li>• Quotes from attorneys, stockbrokers, bankers, and real estate agents that verify penalties and reasonable costs incurred to convert asset to cash.</li><li>• Copies of real estate closing documents that indicate distribution of sales proceeds and settlement costs.</li></ul>	<ul style="list-style-type: none"><li>• Notarized statement or signed affidavit stating cash value of assets or verifying cash held at applicant's home or in safe deposit box.</li></ul>	<ul style="list-style-type: none"><li>• Use current balance in savings accounts and average monthly balance in checking accounts for last 6 months.</li><li>• Use cash value of all assets (the net amount the applicant would receive if the asset were converted to cash).</li><li>• <b>NOTE:</b> This information can usually be obtained simultaneously when verifying income from assets and employment (e.g., value of pension).</li></ul>

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	Written <sup>b</sup>	Oral <sup>c</sup>			
<ul style="list-style-type: none"><li>Disability status.</li></ul>	<ul style="list-style-type: none"><li>Verification from medical professional stating that individual qualifies under the definition of disability.</li></ul>	<ul style="list-style-type: none"><li>Telephone or in-person contact with medical professional verifying qualification under the federal disability definition and documentation in the file of the conversation.</li></ul>		<ul style="list-style-type: none"><li>Not appropriate.</li></ul>	<ul style="list-style-type: none"><li>If a person receives Social Security Disability solely due to a drug or alcohol problem, the person is not considered disabled under housing law. A person that does not receive Social Security Disability may still qualify under the definition of a person with disabilities.</li><li>Owners must not seek to verify information about a person's specific disability other than obtaining a professional's opinion of qualification under the definition of a person with disabilities.</li></ul>

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<ul style="list-style-type: none"><li>Dividend income and savings account interest income.</li></ul>	<ul style="list-style-type: none"><li>Verification form completed by bank.</li></ul>	<ul style="list-style-type: none"><li>Telephone or in-person contact with appropriate party, documented in file by the owner.</li></ul>	<ul style="list-style-type: none"><li>Copies of current statements, bank passbooks, certificates of deposit, if they show required information (i.e., current rate of interest).</li><li>Copies of Form 1099 from the financial institution, and verification of projected income for the next 12 months.</li><li>Broker's quarterly statements showing value of stocks/bonds and earnings credited to the applicant.</li></ul>	<ul style="list-style-type: none"><li>Not appropriate.</li></ul>	<ul style="list-style-type: none"><li>The owner must obtain enough information to accurately project income over next 12 months.</li><li>Verify interest rate as well as asset value.</li></ul>

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	Written <sup>b</sup>	Oral <sup>c</sup>			
<ul style="list-style-type: none"><li>• Employment Income including tips, gratuities, overtime.</li></ul>	<ul style="list-style-type: none"><li>• Verification form completed by employer.</li></ul>	<ul style="list-style-type: none"><li>• Telephone or in-person contact with employer, specifying amount to be paid per pay period and length of pay period. Document in file by the owner.</li></ul>	<ul style="list-style-type: none"><li>• W-2 Forms, if applicant has had same employer for at least two years and increases can be accurately projected.</li><li>• Paycheck stubs or earning statements.</li></ul>	<ul style="list-style-type: none"><li>• Notarized statements or affidavits signed by applicant that describe amount and source of income.</li></ul>	<ul style="list-style-type: none"><li>• Always verify: frequency of gross pay (i.e., hourly, biweekly, monthly, bimonthly); anticipated increases in pay and effective dates; overtime.</li><li>• Require most recent 6-8 consecutive pay stubs; do not use check without stub.</li><li>• For a fee, additional information can be obtained from The Work Number 800-996-7556; First American Registry 800-999-0350; and Verifax 800-969-5100. Fees are valid project expenses. Information does not replace third-party verification.</li></ul>

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	Third Party <sup>a</sup>		Documents Provided by Applicant		
	Written <sup>b</sup>	Oral <sup>c</sup>			
<ul style="list-style-type: none"><li>Family composition.</li></ul>	<ul style="list-style-type: none"><li>None required.</li></ul>	<ul style="list-style-type: none"><li>None required.</li></ul>	<ul style="list-style-type: none"><li>Birth certificates</li><li>Divorce actions</li><li>Drivers' licenses</li><li>Employer records</li><li>Income tax returns</li><li>Marriage certificates</li><li>School records</li><li>Social Security Administration records</li><li>Social service agency records</li><li>Support payment records</li><li>Utility bills</li><li>Veterans Administration (VA) records</li></ul>		<ul style="list-style-type: none"><li>An owner may seek verification only if the owner has clear written policy.</li></ul>
<ul style="list-style-type: none"><li>Family type.</li></ul> <p>(Information verified only to determine eligibility for project, preferences, and allowances.)</p>	<ul style="list-style-type: none"><li>Disability Status: statement from physician or other reliable source, if benefits documenting status are not received. See paragraph 3.25 B.1 for restrictions on this form of verification.</li><li>Displacement Status: Written statement or certificate of displacement by the appropriate governmental authority.</li></ul>	<ul style="list-style-type: none"><li>Telephone or in-person contact with source documented in file by the owner.</li></ul>	<ul style="list-style-type: none"><li>Elderly Status (when there is reasonable doubt that applicant is at least 62): birth certificate, baptismal certificate, social security records, driver's license, census record, official record of birth or other authoritative document or receipt of SSI old age benefits or SS benefits.</li><li>Disabled, blind: evidence of receipt of SSI or Disability benefits.</li></ul>	<ul style="list-style-type: none"><li>Elderly Status: Applicant's signature on application is generally sufficient.</li></ul>	<ul style="list-style-type: none"><li>Unless the applicant receives income or benefits for which elderly or disabled status is a requirement, such status must be verified.</li><li>Status of disabled family members must be verified for entitlement to \$480 dependent deduction and disability assistance allowance.</li><li>Owner may not ask the nature/extent of disability.</li></ul>

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<ul style="list-style-type: none"><li>Full-time student status (of family member 18 or older, excluding head, spouse, or foster children).</li></ul>	<ul style="list-style-type: none"><li>Verification from the Admissions or Registrar's Office or dean, counselor, advisor, etc., or from VA Office.</li></ul>	<ul style="list-style-type: none"><li>Telephone or in-person contact with these sources documented in file by the owner.</li></ul>	<ul style="list-style-type: none"><li>School records, such as paid fee statements that show a sufficient number of credits to be considered a full-time student by the educational institution attended.</li></ul>		
<ul style="list-style-type: none"><li>Immigration Status.</li></ul>	<ul style="list-style-type: none"><li>Verification of eligible immigration status must be received from DHS through the DHS SAVE system or through secondary verification using DHS Form G-845.</li></ul>	<ul style="list-style-type: none"><li>None.</li></ul>	<ul style="list-style-type: none"><li>Applicant/resident must provide appropriate immigration documents to initiate verification.</li></ul>	<ul style="list-style-type: none"><li>Noncitizens must sign declaration certifying the following: Eligible immigration status; or Decision not to claim eligible status.</li></ul>	<ul style="list-style-type: none"><li>Owners must require noncitizens requesting assistance to provide verification of eligible immigration status.</li></ul>

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<ul style="list-style-type: none"><li>Income maintenance payments, benefits, income other than wages (i.e., welfare, Social Security [SS], Supplemental Security Income [SSI], Disability Income, Pensions).</li></ul>	<ul style="list-style-type: none"><li>Award or benefit notification letters prepared and signed by authorizing agency.</li><li>TRACS or REAC may provide verification for social security.</li></ul>	<ul style="list-style-type: none"><li>Telephone or in-person contact with income source, documented in file by the owner.</li><li><b>NOTE:</b> For all oral verification, file documentation must include facts, time and date of contact, and name and title of third party.</li></ul>	<ul style="list-style-type: none"><li>Current or recent check stubs with date, amount, and check number recorded by the owner.</li><li>Award letters or computer printout from court or public agency.</li><li>Copies of validated bank deposit slips, with identification by bank.</li><li>Most recent quarterly pension account statement.</li></ul>	<ul style="list-style-type: none"><li>Checks or automatic bank deposit slips may not provide gross amounts of benefits if applicant has deductions made for Medicare Insurance.</li><li>Pay stubs for the most recent four to six weeks should be obtained.</li><li>Copying of U.S. Treasury checks is not permitted.</li><li>Award letters/printouts from court or public agency may be out of date; telephone verification of letter/printout is recommended.</li></ul>	
<ul style="list-style-type: none"><li>Interest from sale of real property (e.g., contract for deed, installment sales contract, etc.)</li></ul>	<ul style="list-style-type: none"><li>Verification form completed by an accountant, attorney, real estate broker, the buyer, or a financial institution which has copies of the amortization schedule from which interest income for the next 12 months can be obtained.</li></ul>	<ul style="list-style-type: none"><li>Telephone or in-person contact with appropriate party, documented in file by the owner.</li></ul>	<ul style="list-style-type: none"><li>Copy of the contract.</li><li>Copy of the amortization schedule, with sufficient information for the owner to determine the amount of interest to be earned during the next 12 months.</li><li><b>NOTE:</b> Copy of a check paid by the buyer to the applicant is not acceptable.</li></ul>	<ul style="list-style-type: none"><li>Only the interest income is counted; the balance of the payment applied to the principal is merely a liquidation of the asset.</li><li>The owner must get enough information to compute the actual interest income for the next 12 months.</li></ul>	

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	Written <sup>b</sup>	Oral <sup>c</sup>			
<ul style="list-style-type: none"><li>Medical expenses.</li></ul>	<ul style="list-style-type: none"><li>Verification by a doctor, hospital or clinic, dentist, pharmacist, etc., of estimated medical costs to be incurred or regular payments expected to be made on outstanding bills which are not covered by insurance.</li></ul>	<ul style="list-style-type: none"><li>Telephone or in-person contact with these sources, documented in file by the owner.</li></ul>	<ul style="list-style-type: none"><li>Copies of cancelled checks that verify payments on outstanding medical bills that will continue for all or part of the next 12 months.</li><li>Copies of income tax forms (Schedule A, IRS Form 1040) that itemize medical expenses, when the expenses are not expected to change over the next 12 months.</li><li>Receipts, cancelled checks, pay stubs, which indicate health insurance premium costs, or payments to a resident attendant.</li><li>Receipts or ticket stubs that verify transportation expenses directly related to medical expenses.</li></ul>	<ul style="list-style-type: none"><li>Notarized statement or signed affidavit of transportation expenses directly related to medical treatment, if there is no other source of verification.</li></ul>	<ul style="list-style-type: none"><li>Medical expenses are not allowable as deduction unless applicant is an elderly or disabled family. Status must be verified.</li></ul>
<ul style="list-style-type: none"><li>Need for an assistive animal.</li></ul>	<ul style="list-style-type: none"><li>Letter from medical provider.</li></ul>				<ul style="list-style-type: none"><li>If the owner's policy is to verify this need, owner must implement policy consistently.</li></ul>

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	Written <sup>b</sup>	Oral <sup>c</sup>			
<ul style="list-style-type: none"><li>Net Income for a business.</li></ul>	<ul style="list-style-type: none"><li>Not applicable.</li></ul>	<ul style="list-style-type: none"><li>Not applicable.</li></ul>	<ul style="list-style-type: none"><li>Form 1040 with Schedule C, E, or F.</li><li>Financial Statement(s) of the business (audited or unaudited) including an accountant's calculation of straight-line depreciation expense if accelerated depreciation was used on the tax return or financial statement.</li><li>Any loan application listing income derived from business during the preceding 12 months.</li><li>For rental property, copies of recent rent checks, lease and receipts for expenses, or IRS Schedule E.</li></ul>		
<ul style="list-style-type: none"><li>Recurring contributions and gifts.</li></ul>	<ul style="list-style-type: none"><li>Notarized statement or affidavit signed by the person providing the assistance giving the purpose, dates, and value of gifts.</li></ul>	<ul style="list-style-type: none"><li>Telephone or in-person contact with source documented in file by the owner.</li></ul>	<ul style="list-style-type: none"><li>Not applicable.</li></ul>	<ul style="list-style-type: none"><li>Notarized statement or affidavit signed by applicant stating purpose, dates, and value of gifts.</li></ul>	<ul style="list-style-type: none"><li>Sporadic contributions and gifts are not counted as income.</li></ul>

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<ul style="list-style-type: none"><li>• Self-employment, tips, gratuities, etc.</li></ul>	None available.	None available.	<ul style="list-style-type: none"><li>• Form 1040/1040A showing amount earned and employment period.</li></ul>	<ul style="list-style-type: none"><li>• Notarized statement or affidavit signed by applicant showing amount earned and pay period.</li></ul>	
<ul style="list-style-type: none"><li>• Social security number.</li></ul>	<ul style="list-style-type: none"><li>• None required.</li></ul>	<ul style="list-style-type: none"><li>• None required.</li></ul>	<ul style="list-style-type: none"><li>• Original Social Security card</li><li>• Driver's license with SSN</li><li>• Identification card issued by a federal, State, or local agency, a medical insurance provider, or an employer or trade union.</li><li>• Earnings statements on payroll stubs</li><li>• Bank statement</li><li>• Form 1099</li><li>• Benefit award letter</li><li>• Retirement benefit letter</li><li>• Life insurance policy</li><li>• Court records</li></ul>	<ul style="list-style-type: none"><li>• Certification that document is complete/accurate unless original Social Security card is provided.</li></ul>	<ul style="list-style-type: none"><li>• Individuals who have applied for legalization under the Immigration Reform and Control Act of 1986 will be able to disclose their social security numbers but unable to supply cards for documentation. Social security numbers are assigned to these persons when they apply for amnesty. The cards go to DHS until the persons are granted temporary lawful resident status. Until that time, their acceptable documentation is a letter from the DHS indicating that social security numbers have been assigned.</li></ul>
<ul style="list-style-type: none"><li>• Unborn children.</li></ul>	<ul style="list-style-type: none"><li>• None required.</li></ul>	<ul style="list-style-type: none"><li>• None required.</li></ul>	<ul style="list-style-type: none"><li>• None required.</li></ul>	<ul style="list-style-type: none"><li>• Applicant/tenant self-certifies to pregnancy.</li></ul>	<ul style="list-style-type: none"><li>• Owner may not verify further than self-certification.</li></ul>

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<ul style="list-style-type: none"><li>• Unemployment compensation.</li></ul>	<ul style="list-style-type: none"><li>• Verification form completed by source.</li></ul>	<ul style="list-style-type: none"><li>• Telephone or in-person contact with agency documented in a file by an owner.</li></ul>	<ul style="list-style-type: none"><li>• Copies of checks or records from agency provided by applicant stating payment amounts and dates.</li><li>• Benefit notification letter signed by authorizing agency.</li></ul>		<ul style="list-style-type: none"><li>• Frequency of payments and expected length of benefit term must be verified.</li><li>• Income not expected to last full 12 months must be calculated based on 12 months and interim recertification completed when benefits stop.</li></ul>
<ul style="list-style-type: none"><li>• Welfare payments (as-paid states only).</li></ul>	<ul style="list-style-type: none"><li>• Verification form completed by welfare department indicating maximum amount family may receive.</li><li>• Maximum shelter schedule by household size with ratable reduction schedule.</li></ul>	<ul style="list-style-type: none"><li>• Telephone or in-person contact with income source, documented in file by the owner.</li></ul>	<ul style="list-style-type: none"><li>• Maximum shelter allowance schedule with ratable reduction schedule provided by applicant.</li></ul>	<ul style="list-style-type: none"><li>• Not appropriate.</li></ul>	<ul style="list-style-type: none"><li>• Actual welfare benefit amount not sufficient as proof of income in "as-paid" states or localities since income is defined as maximum shelter amount.</li></ul>

<sup>a</sup>**NOTE:** Requests for verification from third parties must be accompanied by a Consent to Release form.

<sup>b</sup>**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

<sup>c</sup>**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of third party.

### Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				Verification Tips
	Third Party <sup>a</sup>		Documents Provided by Applicant	Self-Declaration	
	Written <sup>b</sup>	Oral <sup>c</sup>			
<ul style="list-style-type: none"><li>Zero Income.</li></ul>	<ul style="list-style-type: none"><li>Not applicable.</li></ul>	<ul style="list-style-type: none"><li>Not applicable.</li></ul>	<ul style="list-style-type: none"><li>Not applicable.</li></ul>	<ul style="list-style-type: none"><li>Applicant/Tenant self-certifies to zero income.</li></ul>	<ul style="list-style-type: none"><li>Owners may require applicant/tenant to sign verification release of information forms for state, local, and federal benefits programs, as well as the HUD 9887 and HUD 9887-A.</li><li>Owners may require the tenant to reverify zero income status at least every 90 days.</li></ul>

<sup>a</sup>**NOTE:** Requests for verification from third parties must be accompanied by a Consent to Release form.

<sup>b</sup>**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

<sup>c</sup>**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of third party.

## Glossary

<b>Accessible (FH Act)</b>	When used with respect to the public and common use areas of a building containing covered multifamily dwellings, means that the public or common use areas of the building can be approached, entered, and used by individuals with physical impairments (handicaps). <sup>1</sup> The phrase <i>readily accessible to</i> , and <i>usable by</i> , is synonymous with accessible. A public or common use area that complies with the appropriate requirements of ANSI A117.1-1986 or a comparable standard is accessible within the meaning of this paragraph. [24 CFR 100.201]
<b>Accessible (Section 504)</b>	<p>When used with respect to the design, construction, or alteration of a <i>facility or a portion of a facility other than an individual dwelling unit</i>, means that the facility or portion of the facility, when designed, constructed, or altered, can be approached, entered, and used by individuals with a physical impairment (handicaps).<sup>1</sup> The phrase <i>accessible to</i>, and <i>usable by</i>, is synonymous with accessible. [24 CFR 8.3]</p> <p>Accessible, when used with respect to the design, construction, or alteration of an <i>individual dwelling unit</i>, means that the unit is located on an accessible route and when designed, constructed, altered or adapted can be approached, entered, and used by individuals with a physical impairment (handicaps).<sup>1</sup> A unit that is on an accessible route and is adaptable and otherwise in compliance with the standards set forth in 24 CFR 8.32 is accessible within the meaning of this paragraph. When a unit in an existing facility which is being made accessible as a result of alterations is intended for use by a specific qualified person with a disability (handicaps)<sup>1</sup> (e.g., a current occupant of such unit or of another unit under the control of the same recipient, or an applicant on a waiting list), the unit will be deemed accessible if it meets the requirements of applicable standards that address the particular disability or impairment of such person. [24 CFR 8.3]</p>
<b>Accessible Route (FH Act)</b>	A continuous unobstructed path connecting accessible elements and spaces in a building or within a site that can be negotiated by a person with a severe disability using a wheelchair and that is also safe for and usable by people with other disabilities. Interior accessible routes may include corridors, floors, ramps, elevators, and lifts. Exterior accessible routes may include parking access aisles, curb ramps, walks, ramps, and lifts. A route that complies with the appropriate requirements of ANSI A117.1-1986 or a comparable standard is an accessible route. [24 CFR 100.201]

**Accessible Route  
(Section 504)**

A continuous unobstructed path connecting accessible elements and spaces in a building or facility that complies with the space and reach requirements of applicable standards prescribed by 24 CFR 8.32. An accessible route that serves only accessible units occupied by persons with hearing or vision impairments need not comply with those requirements intended to effect accessibility for persons with mobility impairments. *[24 CFR 8.3]*

**Adaptability  
(Section 504)**

The ability of certain elements of a dwelling unit, such as kitchen counters, sinks, and grab bars, to be added to, raised, lowered, or otherwise altered, to accommodate the needs of persons with or without disabilities (handicaps),<sup>1</sup> or different types or degrees of disability. For example, in a unit adaptable for a hearing-impaired person, the wiring for visible emergency alarms may be installed, but the alarms need not be installed until such time as the unit is made ready for occupancy by a hearing-impaired person. *[24 CFR 8.3]*

**Adjusted Income**

Annual income (as determined by the owner) of the members of the family residing or intending to reside in the dwelling unit, after making the following deductions.

In determining adjusted income, the owner must deduct the following amounts from annual income:

1. \$480 for each dependent;
2. \$400 for any elderly family or disabled family;
3. The sum of the following, to the extent the sum exceeds 3% of annual income:
  - a. Unreimbursed reasonable medical expenses of any elderly family or disabled family; and
  - b. Unreimbursed reasonable attendant care and auxiliary apparatus expenses for each member of the family who is a person with disabilities, to the extent necessary to enable any member of the family (including the member who is a person with disabilities) to be employed. This deduction may not exceed the earned income received by family members who are 18 years of age or older who are able to work because of such attendant care or auxiliary apparatus; and
4. Any reasonable child care expenses necessary to enable the family member to be employed or to further his or her education. *[24 CFR 5.611]*

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<b>Adult</b>	An individual who is 18 years of age or older or a minor under the age of 18 who has been emancipated to act on his/her own behalf, including the ability to execute a contract or lease.
<b>Alteration (Section 504)</b>	Any change in a facility or its permanent fixtures or equipment. It includes, but is not limited to, remodeling, renovation, rehabilitation, reconstruction, changes or rearrangements in structural parts, and extraordinary repairs. It does not include normal maintenance or repairs, reroofing, interior decoration, or changes to mechanical systems. <i>[24 CFR 8.3]</i>
<b>Annual Income</b>	<p>All amounts, monetary or not, which:</p> <ol style="list-style-type: none"> <li>1. Go to, or on behalf of, the family head or spouse [or co-head] (even if temporarily absent) or to any other family member; or</li> <li>2. Are anticipated to be received from a source outside the family during the 12-month period following admission or annual re-examination effective date; and</li> <li>3. Which are not specifically excluded [by regulation].</li> </ol> <p>Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access. <i>[24 CFR 5.609]</i></p>
<b>Applicant</b>	A person or a family that has applied for housing assistance. <i>[24 CFR 5.403]</i>
<b>Application</b>	A written request for occupancy in a subsidized housing unit that includes the information required to determine eligibility for assistance and suitability for tenancy. Owners generally develop a standardized form that is completed by the prospective applicant. The application must be signed and dated by the applicant and include the applicant's certification that the information provided is complete and accurate.
<b>Assets</b>	For more information on what is considered an asset and what is not an asset, see Exhibit 5-2.
<b>Assistance Payment</b>	The amount HUD pays the owner for a unit occupied by a Section 8, RAP, Rent Supplement, or PAC tenant. It includes HUD's share of the contract rent and any utility reimbursement due the tenant. It is the gross rent for the unit minus the Total Tenant Payment (TTP). The assistance payment for an occupied PRAC unit is the operating rent minus the TTP.
<b>Assisted Rent</b>	Any rent less than the market rent. Includes Section 236 rents that are greater than the basic rent.

**Assisted Tenant**

A tenant who pays less than the market rate. Includes tenants:

1. Receiving Rent Supplement, RAP, PAC, or Section 8 assistance;
2. Living in a Section 202 PRAC or Section 811 PRAC development paying equal to or less than the operating rent;
3. Living in a Section 202 PRAC or Section 811 PRAC development paying more than the operating rent, which generates excess income;
4. Paying the BMIR contract rent;
5. Paying the Section 236 basic rent; or
6. Paying above basic rent, which generates excess income, but less than market rent, in a Section 236 project.

**Assistance Animals**

Assistance animals are animals that work, provide assistance, or perform tasks for the benefit of a person with a disability, or animals that provide emotional support that alleviates one or more identified symptoms or effects of a person's disability. Assistance animals – often referred to as “service animals,” “assistive animals,” “support animals,” or “therapy animals” – perform many disability-related functions, including but not limited to guiding individuals who are blind or have low vision, alerting individuals who are deaf or hard of hearing to sounds, providing minimal protection or rescue assistance, pulling a wheelchair, fetching items, alerting persons to impending seizures, or providing emotional support to persons with disabilities who have a disability-related need for such support. Some, but not all, animals that assist persons with disabilities are professionally trained. Other assistance animals are trained by the owners themselves and, in some cases, no special training is required. The question is whether or not the animal performs the assistance or provides the benefit needed as a reasonable accommodation by the person with the disability.

**Auxiliary Aids  
(Section 504)**

Services or devices that enable persons with impaired sensory, manual, or speaking skills to have an equal opportunity to participate in, and enjoy the benefits of, programs or activities receiving Federal financial assistance. For example, auxiliary aids for persons with impaired vision may include readers, Brailled materials, audio recordings, and other similar services and devices. Auxiliary aids for persons with impaired hearing may include telephone handset amplifiers, telephones compatible with hearing aids, telecommunications devices for deaf persons (TTYs), interpreters, notetakers, written materials, and other similar services and devices.  
[24 CFR 8.3]



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<b>Basic Rent</b>	The minimum rent all tenants in a Section 236 project must pay. It is HUD approved and represents the amount of rent the owner needs to receive in order to operate the property with the mortgage interest rate reduced to as low as 1%.
<b>Briefing</b>	A meeting between the owner and the tenant prior to signing the lease during which the owner discusses various topics related to living in the unit. Topics include, but are not limited to, tenant rights, house rules, and lease terms.
<b>Chronically Mentally III</b>	<p>Use this definition for the Section 202 and Section 811 programs only.</p> <p>An adult who has a chronic mental illness, i.e., if he or she has a severe and persistent mental or emotional impairment that seriously limits his or her ability to live independently (e.g., by limiting functional capacities relative to primary aspects of daily living such as personal relations, living arrangements, work, recreation, etc.), and whose impairment could be improved by more suitable housing conditions. See 24 CFR 891.305 and 891.505</p>
<b>Citizen</b>	A citizen or national of the United States. [24 CFR 5.504] (See definition of National.)
<b>Co-Head of Household</b>	An adult member of the family who is treated the same as a head of the household for purposes of determining income, eligibility, and rent. (See paragraph 5.6 for explanation of <i>emancipated minor</i> .)
<b>Common Household Pet</b>	A domesticated animal, such as a dog, cat, bird, rodent (including a rabbit), fish, or turtle, that is traditionally kept in the home for pleasure rather than for commercial purposes. Common household pets do not include reptiles (except turtles). If this definition conflicts with any applicable State or local law or regulation defining the pets that may be owned or kept in dwelling accommodations, the State or local law or regulations shall apply. This definition does not include animals that are used to assist persons with disabilities. [24 CFR 5.306]
<b>Contract Rent</b>	The rent HUD or the Contract Administrator has approved for each unit type covered under an assistance contract. The rent may be paid by the tenant, HUD, or both. Refer to the project's rental schedule (form HUD-92458) or Rental Assistance contract for exact amounts.
<b>Covered Person</b>	A tenant, any member of the tenant's household, a guest, or another person under the tenant's control. [24 CFR 5.100]

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<b>Currently Engaging In</b>	With respect to behavior such as illegal use of a drug, other drug-related criminal activity, or other criminal activity, <i>currently engaging in</i> means that the individual has engaged in the behavior recently enough to justify a reasonable belief that the individual's behavior is current. [24 CFR 5.853]
<b>Deductions</b>	<p>In determining adjusted income, the owner must deduct the following from annual income:</p> <ol style="list-style-type: none"><li>1. \$480 for each dependent;</li><li>2. \$400 for any elderly family or disabled family;</li><li>3. The sum of the following to the extent the sum exceeds 3% of annual income:<ol style="list-style-type: none"><li>a. Unreimbursed medical expenses of any elderly or disabled family; and</li><li>b. Unreimbursed reasonable attendant care and auxiliary apparatus expenses for each member of the family who is a person with disabilities, to the extent necessary to enable any member of the family (including the member who is a person with a disability) to be employed. This deduction may not exceed the earned income received by family members who are 18 years of age or older and who are able to work because of such attendant care or auxiliary apparatus; and</li></ol></li><li>4. Any reasonable child care expense necessary to enable the family member to be employed or to further his or her education. [24 CFR 5.611]</li></ol>
<b>Denial of Tenancy or Assistance</b>	The process of rejecting an applicant's request for either occupancy or assistance because the household does not meet eligibility criteria for the program or the owner's criteria for suitability for tenancy.
<b>Dependent</b>	A member of the family other than the head, spouse, or co-head, who is under 18 years of age or is a person with disabilities or a full-time student. For the purposes of this Handbook, a foster child, a foster adult, or a live-in aide may never be a dependent regardless of age or disability.

**\*\*Dependent Child** Dependent child in the context of the student eligibility restrictions, means a dependent child of an enrolled student who meets the criteria of 24 CFR 5.612. In this context, “dependent child” is defined in HUD’s income eligibility regulations at 24 CFR 5.603 is a member of the family (except foster children and foster adults) other than the family head or spouse, who is under 18 years of age, or a person with a disability, or is a full-time student.\*\*

**Developmentally Disabled**

Meets the conditions of paragraph 2 under the definition for Person with a Disability. [24 CFR 891.505]

**NOTE:** The referenced definition also appears as Definition H in Figure 3-6 in this handbook.

**Disability (Handicap)<sup>1</sup>  
(Section 504)** [as defined for Civil Rights Protections]

Any condition or characteristic that renders an individual *a person with disabilities* (handicaps).<sup>1</sup> [24 CFR 8.3]

**Disabled Family**

[Also appears as Definition D – Disabled Family in Figure 3-6.]

A family whose head, spouse, or sole member is a person with disabilities (as defined by 24 CFR 5.403). It may include two or more persons with disabilities living together, or one or more persons with disabilities living with one or more live-in aides. [24 CFR 5.403] (See definition of Person with Disabilities as defined for program eligibility purposes.)

**Disabled  
(Handicapped)<sup>1</sup> Family**

[Also appears as G – Disabled (Handicapped) Family in Figure 3-6.]

1. Families of two or more persons the head of which (or his or her spouse) is a person with disabilities (handicapped)<sup>1</sup>;
2. The surviving member or members of any family described in paragraph (1) of this definition living in a unit assisted under 24 CFR 891, subpart E (Section 202 loans) with the deceased member of the family at the time of his or her death;
3. A single person with disabilities (handicapped person)<sup>1</sup> over the age of 18; or
4. Two or more persons with disabilities (handicapped person)<sup>1</sup> living together, or one or more such persons living with another person who is determined by HUD, based upon a licensed physician's certificate provided by the family, to be essential to their care or well-being. [24 CFR 891.505]

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<b>Disabled Household</b>	<p>[Also appears as F – Disabled Household in Figure 3-6.]</p> <p>Disabled household means a household composed of:</p> <ol style="list-style-type: none"> <li>1. One or more persons at least one of whom is an adult (18 years or older) who has a disability;</li> <li>2. Two or more persons with disabilities living together, or one or more such persons living with another person who is determined by HUD, based upon a certification from an appropriate professional (e.g., a rehabilitation counselor, social worker, or licensed physician) to be important to their care or well being; or</li> <li>3. The surviving member or members of any household described in paragraph (1) of this definition who were living in a unit assisted under this part with the deceased member of the household at the time of his or her death. <i>[24 CFR 891.305]</i></li> </ol>
<b>Displaced Family</b>	<p>A family in which each member, or whose sole member, is a person displaced by governmental action, or a person whose dwelling has been extensively damaged or destroyed as a result of a disaster declared or otherwise formally recognized pursuant to federal disaster relief laws. <i>[24 CFR 5.403]</i></p>
<b>Displaced Person</b>	<p>A person displaced by governmental action, or a person whose dwelling has been extensively damaged or destroyed as a result of a disaster declared or otherwise formally recognized pursuant to Federal disaster relief laws. <i>[24 CFR 5.403]</i></p>
<b>Drug</b>	<p>A controlled substance as defined in section 102 of the Controlled Substances Act (21 U.S.C. 802). <i>[24 CFR 5.100]</i></p>
<b>Drug-related Criminal Activity</b>	<p>The illegal manufacture, sale, distribution, or use of a drug, or the possession of a drug with intent to manufacture, sell, distribute, or use the drug. <i>[24 CFR 5.100]</i></p>
<b>Elderly Family</b>	<p>[Also appears as Definition B – Elderly Family in Figure 3-6.]</p> <ol style="list-style-type: none"> <li>1. Families of two or more persons, the head of which (or his or her spouse) is 62 years of age or older;</li> <li>2. The surviving member or members of a family described in paragraph (1) living in a unit assisted under 24 CFR part 891, subpart E (Section 202 loans) with the deceased member of the family at the time of his or her death;</li> <li>3. A single person who is 62 years of age or older; or</li> </ol>

4. Two or more elderly persons living together, or one or more such persons living with another person who is determined by HUD, based upon a licensed physician's certificate provided by the family, to be essential to their care or well being. *[24 CFR 891.505]*

**Elderly Family**

[Also appears as Definition A – Family & Elderly Family in Figure 3-6.]

A family (as defined in 24 CFR 5.403) whose head, spouse, or sole member is a person who is at least 62 years of age. It may include two or more persons who are at least 62 years of age living together, or one or more persons who are at least 62 years of age living with one or more live-in aides. *[24 CFR 5.403]*

**Elderly Person**

[Also appears as Definition C – Elderly Person in Figure 3-6.]

An elderly person is a household composed of one or more persons, at least one of whom is 62 years of age or more at the time of initial occupancy. *[24 CFR 891.205]*

**Elderly Person**

A person at least 62 years of age. *[24 CFR 5.100]*

**Eligible Noncitizen**

A person who has eligible immigration status in one of the following categories:

1. A noncitizen lawfully admitted for permanent residence, as defined by section 101(a)(20) of the Immigration and Nationality Act (INA), as an immigrant, as defined by section 101(a)(15) of the INA (8 U.S.C. 1101(a)(20) and U.S.C. 1101(a)(15), respectively) [immigrants]. (This category includes a noncitizen admitted under section 210 or 210A of the INA (8 U.S.C. 1160 or 1161) [special agricultural worker], who has been granted lawful temporary resident status);
2. A noncitizen who entered the United States before January 1, 1972, or such later date as enacted by law, and has continuously maintained residence in the United States since then, and who is not ineligible for citizenship, but who is deemed to be lawfully admitted for permanent residence as a result of an exercise of discretion by the Attorney General under section 249 of the INA (8 U.S.C. 1259);

3. A noncitizen who is lawfully present in the United States pursuant to an admission under section 207 of the INA (8 U.S.C. 1157) [refugee status]; pursuant to the granting of asylum (which has not been terminated) under section 208 of the INA (8 U.S.C. 1158) [asylum status]; or as a result of being granted conditional entry under section 203(a)(7) of the INA (8 U.S.C. 1153(a)(7)) before April 1, 1980, because of persecution or fear of persecution on account of race, religion, or political opinion or because of being uprooted by catastrophic national calamity;
4. A noncitizen who is lawfully present in the United States as a result of an exercise of discretion by the Attorney General for emergent reasons or reasons deemed strictly in the public interest under section 212(d)(5) of the INA (8 U.S.C. 1182(d)(5)) [parole status];
5. A noncitizen who is lawfully present in the United States as a result of the Attorney General's withholding deportation under section 243(h) of the INA (8 U.S.C. 1253(h)) [threat to life or freedom];
6. A noncitizen lawfully admitted for temporary or permanent residence under section 245A of the INA (8 U.S.C. 1255a) [amnesty granted under INA 245A]; or
7. A noncitizen who is a lawful resident in the United States and its territories and possessions under section 141 of the Compacts of Free Association between the government of the United States and the Governments of the Marshall Islands, the Federated States of Micronesia and Palau (collectively referred to as "the Freely Associated States" (FAS)) [Section 3(b) of Public Law 106-504].

A nonimmigrant student, while lawfully admitted to the United States, is not eligible.

## **Eviction**

The dispossession of the tenant from the leased unit as a result of the termination of tenancy, including a termination prior to the end of a lease term. [24 CFR 247.2]

## **Evidence of Citizenship or Eligible Status**

The documents that must be submitted to evidence citizenship or eligible immigration status. [24 CFR 5.504] See paragraph 3-12 of this handbook for further information.

<b>Expected to Reside</b>	In applying lead-safe housing requirements, actual knowledge that a child will reside in a dwelling unit reserved for the elderly or designated exclusively for persons with disabilities. If a female resident is known to be pregnant, there is actual knowledge that a child will reside in the dwelling unit. <i>[24 CFR 35.110]</i>
<b>Extremely Low-Income Family</b>	A family whose annual income does not exceed 30% of the median income for the area, as determined by HUD, with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 30% of the median income for the area if HUD finds that such variations are necessary because of unusually high or low family incomes. <i>[24 CFR 5.603]</i>
<b>Fair Housing Act</b>	Title VIII of the Civil Rights Act, 42 U.S.C. 3601. The Fair Housing Act is a broad statute that prohibits discrimination based upon race, color, religion, sex, national origin, disability, or familial status in most housing and housing-related transactions.
<b>Familial Status (FH Act)</b>	<p>One or more individuals (who have not attained the age of 18 years) being domiciled with:</p> <ol style="list-style-type: none"> <li>1. A parent or another person having legal custody of such individual or individuals (regardless of age or number of children); or</li> <li>2. The designee of such parent or other person having such custody, with the written permission of such parent or another person.</li> </ol> <p><i>The protections afforded against discrimination on the basis of familial status shall apply to any person who is pregnant or is in the process of securing legal custody of any individual who has not attained the age of 18 years. [24 CFR 100.20]</i></p>
<b>Family</b>	<p>[Also appears as Definition A – Family &amp; Elderly Family of Figure 3-6.]</p> <p>A family includes but is not limited to:</p> <ol style="list-style-type: none"> <li>1. A family with or without children (the temporary absence of a child from the home due to placement in foster care shall not be considered in determining family composition and family size);</li> <li>2. An elderly family;</li> <li>3. A near-elderly family;</li> <li>4. A disabled family;</li> <li>5. A displaced family;</li> </ol>

6. The remaining member of a tenant family; and
7. A single person who is not an elderly or displaced person, or a person with disabilities, or the remaining member of a tenant family. *[24 CFR 5.403]*

**Family Composition**

The specific individuals who are included in the assisted family. Information on family composition includes names, ages, sexes, and citizenship status of all members and their relationship to one another.

**Federal Financial Assistance (Section 504)**

Any assistance provided or otherwise made available by the Department through any grant, loan, contract, or any other arrangement, in the form of:

1. Funds;
2. Services of Federal personnel; or
3. Real or personal property or any interest in or use of such property, including:
  - a. Transfers or leases of the property for less than fair market value or for reduced consideration; and
  - b. Proceeds from a subsequent transfer or lease of the property if the Federal share of its fair market value is not returned to the Federal Government.

Federal financial assistance includes community development funds in the form of proceeds from loans guaranteed under Section 108 of the Housing and Community Development Act of 1974, as amended, but does not include assistance made available through direct federal procurement contracts or payments made under these contracts or any other contract of insurance or guaranty. *[24 CFR 8.3]*

**Federally Assisted Housing**

Includes housing assisted under any of the following programs:

1. Public housing;
2. Housing receiving project-based or tenant-based assistance under Section 8 of the U.S. Housing Act of 1937 (42 U.S.C. 1437f);
3. Housing that is assisted under section 202 of the Housing Act of 1959, as amended by section 801 of the National Affordable Housing Act (12 U.S.C. 1701q);



4. Housing that is assisted under section 202 of the Housing Act of 1959, as such section existed before the enactment of the National Affordable Housing Act;
5. Housing that is assisted under section 811 of the National Affordable Housing Act (42 U.S.C. 8013);
6. Housing financed by a loan or mortgage insured under section 221(d)(3) of the National Housing Act of (12 U.S.C. 1715/(d)(3)) that bears interest at a rate determined under the proviso of section 221(d)(5) of such Act (12 U.S.C. 1715/(d)(5));
7. Housing insured, assisted, or held by HUD or by a State or local agency under section 236 of the National Housing Act (12 U.S.C. 1715z-1); or
8. Housing assisted by the Rural Housing Service under section 514 or section 515 of the Housing Act of 1949 (42 U.S.C. 1483, 1484). *[24 CFR 5.100]*

**Foster Adult**

A foster adult is usually an adult with a disability who is unrelated to the tenant family and who is unable to live alone.

**Foster Children**

Children that are in the legal guardianship or custody of a State, county, or private adoption or foster care agency, yet are cared for by foster parents in their own homes, under some kind of short-term or long-term foster care arrangement with the custodial agency. These children will generally remain in foster care until they are reunited with their parents, or until their parents voluntarily consent to their adoption by another family, or until the court involuntarily terminates or severs the parental right of their biological parents, so that they can become available to be adopted by another family. Therefore, the parental rights of the parents of these children may or may not have been terminated or severed, and the children may or may not be legally available for adoption.

**Fraud**

Deceit or trickery deliberately practiced to gain some advantage dishonestly. Fraud is an intentional deception and cannot be committed accidentally.

**NOTE:** This is not necessarily the legal definition in particular cases.

**Full-Time Student**

A person who is attending school or vocational training on a full-time basis. *[24 CFR 5.603]*

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<b>Gross Rent</b>	The gross rent for a unit equals the contract rent plus the utility allowance, if the property has a utility allowance. For Section 202 PRAC and Section 811 PRAC, the gross rent is referred to as the operating rent.
<b>Gross Rent Change</b>	Any HUD-approved change in the contract rent or the utility allowance for a unit.
<b>Guest</b>	A person temporarily staying in a unit with the consent of the tenant or another member of the household who has express or implied authority to consent on behalf of the tenant. <i>[24 CFR 5.100]</i> A guest is a temporary visitor of the tenant's and should not be confused with an unauthorized occupant. Additionally, a guest is not a party to the lease agreement.
<b>Hardship Exemption</b>	An exemption from the \$25 minimum rent an owner must provide for any household unable to pay the Section 8 minimum rent due to a long-term financial hardship as defined in the regulation. <i>[24 CFR 5.630]</i>
<b>Head of Household</b>	The adult member of the family who is the head of the household for purposes of determining income eligibility and rent. (See paragraph 5.6 for explanation of emancipated minor.) <i>[24 CFR 5.504]</i>
<b>Household</b>	The family and live-in aide, if applicable.
<b>Housing Assistance Payment (HAP)</b>	The payment made by HUD or the Contract Administrator to the owner of an assisted unit as provided in the contract. Where the unit is leased to an eligible family, the payment is the difference between the contract rent and the tenant rent. An additional payment is made to the family when the utility allowance is greater than the total tenant payment. A housing assistance payment, known as a "vacancy payment," may be made to the owner when an assisted unit is vacant, in accordance with the terms of the contract. <i>[24 CFR 880.201]</i>
<b>Income Limit</b>	HUD establishes income limits that are used to determine whether housing applicants qualify for admission to HUD-subsidized properties. These income limits are based on HUD estimates for area median family income with certain statutorily permissible adjustments. Different programs use different income limits. (See paragraph 3-6 for applicability.)
<b>Income-Targeting</b>	A statutory requirement that at least 40% of new admissions to a Section 8 property in each fiscal year be households with incomes at or below 30% of the area median income. The law ensures that a significant portion of federal housing assistance goes to families with the greatest need. <i>[24 CFR 5.601, 5.603, 5.653]</i>

**Increased Ability to Pay**

An increase in the tenant's income to a point where the total tenant payment is equal to or greater than the contract rent, plus any utility allowance, for the unit. An increased ability to pay does not apply to Section 202 PRAC or Section 811 PRAC properties.

**\*Independent Student**

To be classified as an independent student, \*\*the student must meet the Independent Student definition for Title IV aid.\*\* The student must meet one or more of the following criteria:

1. Be at least 24 years old by December 31 of the award year for which aid is sought;
2. Be an orphan or a ward of the court through the age of 18;
3. Be a veteran of the U.S. Armed Forces;
4. Have legal dependents other than a spouse (for example, dependent children or an elderly dependent parent);
5. Be a graduate or professional student; or
6. Be married. \*

**\*\*Institution of Higher Education**

Institution of Higher Education shall have the meaning given this term in the Higher Education Act of 1965 in 20 U.S.C. 1001 and 1002.\*\*

**From 20 U.S.C. 1001:**

**(a)** For purposes of this chapter, other than subchapter IV and part C of subchapter I of chapter 34 of Title 42, the term "institution of higher education" means an educational institution in any State that:

- (1)** Admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate;
- (2)** Is legally authorized within such State to provide a program of education beyond secondary education;
- (3)** Provides an educational program for which the institution awards a bachelor's degree or provides not less than a 2-year program that is acceptable for full credit toward such a degree;
- (4)** Is a public or other nonprofit institution; and
- (5)** Is accredited by a nationally recognized accrediting agency or association, or if not so accredited, is an institution that has been granted preaccreditation status by such an agency or association that has been recognized by the Secretary for the granting of preaccreditation status, and the Secretary has determined that there is satisfactory assurance that the institution will meet the accreditation standards of such an agency or association within a reasonable time.

**(b)** Additional institutions included. For purposes of this chapter, other than subchapter IV and part C of subchapter 1 of chapter 34 of Title 42, the term “institution of higher education” also includes:

- (1)** Any school that provides not less than a 1-year program of training to prepare students for gainful employment in a recognized occupation and that meets the provision of paragraphs (1), (2), (4) and (5) of subsection (a) of this section; and
- (2)** A public or nonprofit private educational institution in any State that, in lieu of the requirement in subsection (a)(2) of this section, admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located.

**(c)** List of accrediting agencies. For purposes of this section and section 1002 of this title, the Secretary shall publish a list of nationally recognized accrediting agencies or associations that the Secretary determines, pursuant to subpart 2 of part G of subchapter IV of this chapter, to be reliable authority as to the quality of the education or training offered.

#### **From 20 U.S.C. 1002**

##### **(a) Definition of institution of higher education for purposes of student assistance programs.**

**(1)** Inclusion of additional institutions. Subject to paragraphs (2) through (4) of this subsection, the term “institution of higher education” for purposes of subchapter IV of this chapter and part C of subchapter I of chapter 34 of title 42 includes, in addition to the institutions covered by the definition in section 1001 of this title:

- (A)** A proprietary institution of higher education (as defined in subsection (b) of this section);
- (B)** A postsecondary vocational institution (as defined in subsection (c) of this section); and
- (C)** Only for the purposes of part B of subchapter IV of this chapter, an institution outside the United States that is comparable to an institution of higher education as defined in section 1001 of this title and that has been approved by the Secretary for the purpose of part B of subchapter IV of this chapter.

##### **(2) Institutions outside the United States**

**(A)** In general. For the purpose of qualifying as an institution under paragraph (1)(C), the Secretary shall establish criteria by regulation for the approval of institutions outside the United States and for the determination that such institutions are comparable to an institution of higher education as defined in section 1001 of this title (except that a graduate medical school, or a veterinary school, located outside the United States shall not be required to meet the requirements of section 1001 (a)(4) of this title). Such criteria shall include a requirement that a student attending such school outside the United

States is ineligible for loans made, insured, or guaranteed under part B of subchapter IV of this chapter unless -

**(i)** In the case of a graduate medical school located outside the United States -

**(I)(aa)** at least 60 percent of those enrolled in, and at least 60 percent of the graduates of, the graduate medical school outside the United States were not persons described in section 1091(a)(5) of this title in the year preceding the year for which a student is seeking a loan under part B of subchapter IV of this chapter; and

**(bb)** at least 60 percent of the individuals who were students or graduates of the graduate medical school outside the United States or Canada (both nationals of the United States and others) taking the examinations administered by the Educational Commission for Foreign Medical Graduates received a passing score in the year preceding the year for which a student is seeking a loan under part B of subchapter IV of this chapter; or

**(II)** the institution has a clinical training program that was approved by a State as of January 1, 1992; or

**(ii)** in the case of a veterinary school located outside the United States that does not meet the requirements of section 1001(a)(4) of this title, the institution's students complete their clinical training at an approved veterinary school located in the United States.

**(B)** Advisory panel

**(i)** In general For the purpose of qualifying as an institution under paragraph (1)(C) of this subsection, the Secretary shall establish an advisory panel of medical experts that shall—

**(I)** evaluate the standards of accreditation applied to applicant foreign medical schools; and

**(II)** determine the comparability of those standards to standards for accreditation applied to United States medical schools.

**(ii)** Special rule If the accreditation standards described in clause (i) are determined not to be comparable, the foreign medical school shall be required to meet the requirements of section 1001 of this title.

**(C)** Failure to release information

The failure of an institution outside the United States to provide, release, or authorize release to the Secretary of such information as may be required by subparagraph (A) shall render such institution ineligible for the purpose of part B of subchapter IV of this chapter.

**(D)** Special rule

If, pursuant to this paragraph, an institution loses eligibility to participate in the programs under subchapter IV of this chapter and part C of subchapter I of chapter 34 of title 42, then a student enrolled at such institution may, notwithstanding such loss of eligibility, continue to be eligible to receive a loan under part B <sup>[1]</sup> while attending such institution for the academic year succeeding the academic year in which such loss of eligibility occurred.

**(3)** Limitations based on course of study or enrollment

An institution shall not be considered to meet the definition of an institution of higher education in paragraph (1) if such institution—

**(A)** offers more than 50 percent of such institution's courses by correspondence, unless the institution is an institution that meets the definition in section 2471 (4)(C) of this title; <sup>[1]</sup>

**(B)** enrolls 50 percent or more of the institution's students in correspondence courses, unless the institution is an institution that meets the definition in such section, except that the Secretary, at the request of such institution, may waive the applicability of this subparagraph to such institution for good cause, as determined by the Secretary in the case of an institution of higher education that provides a 2- or 4-year program of instruction (or both) for which the institution awards an associate or baccalaureate degree, respectively;

**(C)** has a student enrollment in which more than 25 percent of the students are incarcerated, except that the Secretary may waive the limitation contained in this subparagraph for a nonprofit institution that provides a 2- or 4-year program of instruction (or both) for which the institution awards a bachelor's degree, or an associate's degree or a postsecondary diploma, respectively; or

**(D)** has a student enrollment in which more than 50 percent of the students do not have a secondary school diploma or its recognized equivalent, and does not provide a 2- or 4-year program of instruction (or both) for which the institution awards a bachelor's degree or an associate's degree, respectively, except that the Secretary may waive the limitation contained in this subparagraph if a nonprofit institution demonstrates to the satisfaction of the Secretary that the institution exceeds such limitation because the institution serves, through contracts with Federal, State, or local government agencies, significant numbers of students who do not have a secondary school diploma or its recognized equivalent.

**(4) Limitations based on management**

An institution shall not be considered to meet the definition of an institution of higher education in paragraph (1) if—

**(A)** the institution, or an affiliate of the institution that has the power, by contract or ownership interest, to direct or cause the direction of the management or policies of the institution, has filed for bankruptcy, except that this paragraph shall not apply to a nonprofit institution, the primary function of which is to provide health care educational services (or an affiliate of such an institution that has the power, by contract or ownership interest, to direct or cause the direction of the institution's management or policies) that files for bankruptcy under chapter 11 of title 11 between July 1, 1998, and December 1, 1998; or

**(B)** the institution, the institution's owner, or the institution's chief executive officer has been convicted of, or has pled nolo contendere or guilty to, a crime involving the acquisition, use, or expenditure of funds under subchapter IV of this chapter and part C of subchapter I of chapter 34 of title 42, or has been judicially determined to have committed fraud involving funds under subchapter IV of this chapter and part C of subchapter I of chapter 34 of title 42.

**(5) Certification**

The Secretary shall certify an institution's qualification as an institution of higher education in accordance with the requirements of subpart 3 of part G of subchapter IV of this chapter.

**(6) Loss of eligibility**

An institution of higher education shall not be considered to meet the definition of an institution of higher education in paragraph (1) if such institution is removed from eligibility for funds under subchapter IV of this chapter and part C of subchapter I of chapter 34 of title 42 as a result of an action pursuant to part G of subchapter IV of this chapter.

**(b) Proprietary institution of higher education**

**(1) Principal criteria**

For the purpose of this section, the term “proprietary institution of higher education” means a school that—

**(A)** provides an eligible program of training to prepare students for gainful employment in a recognized occupation;

**(B)** meets the requirements of paragraphs (1) and (2) of section 1001(a) of this title;

**(C)** does not meet the requirement of paragraph (4) of section 1001(a) of this title;

**(D)** is accredited by a nationally recognized accrediting agency or association recognized by the Secretary pursuant to part G of subchapter IV of this chapter;

**(E)** has been in existence for at least 2 years; and

**(F)** has at least 10 percent of the school's revenues from sources that are not derived from funds provided under subchapter IV of this chapter and part C of subchapter I of chapter 34 of title 42, as determined in accordance with regulations prescribed by the Secretary.

**(2) Additional institutions**

The term “proprietary institution of higher education” also includes a proprietary educational institution in any State that, in lieu of the requirement in paragraph (1) of section 1001 (a) of this title, admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located.

**(c) Postsecondary vocational institution**

**(1) Principal criteria**

For the purpose of this section, the term “postsecondary vocational institution” means a school that—

**(A)** provides an eligible program of training to prepare students for gainful employment in a recognized occupation;

**(B)** meets the requirements of paragraphs (1), (2), (4), and (5) of section 1001 (a) of this title; and

**(C)** has been in existence for at least 2 years.

**(2) Additional institutions**

The term “postsecondary vocational institution” also includes an educational institution in any State that, in lieu of the requirement in

paragraph (1) of section 1001 (a) of this title, admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located.

**Law Enforcement Agency**

The National Crime Information Center (NCIC), police departments, and other law enforcement agencies that hold criminal conviction records. *[24 CFR 5.902]*

**Lease**

A written agreement between an owner and a family for the leasing of a decent, safe, and sanitary dwelling unit to the family. *[24 CFR 886.102 and 884.102]*

**Lease Term**

The period of time for which a lease agreement is written.

**Legitimate Tenant Organization**

An organization established by the tenants of a multifamily housing project covered by this handbook, whose purpose includes addressing issues related to terms and conditions of their tenancy, and which meets regularly, operates democratically, is representative of all residents in the development, and is completely independent of owners, management, and their representatives. *[CFR 24 245.110]*

**Live-in Aide**

A person who resides with one or more elderly persons, near-elderly persons, or persons with disabilities, and who:

1. Is determined to be essential to the care and well-being of the persons;
2. Is not obligated for the support of the persons; and
3. Would not be living in the unit except to provide the necessary supportive services. *[24 CFR 5.403]*

**Low-Income Family**

A family whose annual income does not exceed 80 percent of the area median income, as determined by HUD, with adjustments for smaller and larger families. *[24 CFR 5.603]*

**Management Agent**

An entity that has day-to-day frontline responsibilities for a HUD-insured and/or assisted multifamily housing property. The project owner is responsible for seeking out and selecting a management agent that meets the standards outlined in Handbook 4381.5, Chapter 2. The HUD-owner-management agent relationship is defined and subject to the requirements and procedures set forth in HUD Handbook 4381.5.

**Market Area**

The geographic area from which a project owner could reasonably expect to draw applicants, based on the services and amenities offered by the development and the needs of the community.



<b>Market Rent</b>	<p>The rent HUD authorizes the owner to collect from families ineligible for assistance. For Section 236 units, the market rent is shown on the project's HUD-approved rent schedule. For Rent Supplement, Section 202, and Section 8 units, the market rent is the same as the contract rent. For BMIR units, market rent varies by whether the project is a rental or cooperative.</p> <ol style="list-style-type: none"> <li>1. <u>BMIR Rentals</u>. Market rent equals 110% of the BMIR rent.</li> <li>2. <u>BMIR Cooperatives</u>. Cooperatives use the term “carrying charge” to describe the amount charged a cooperative member for occupying a unit. Market carrying charges equal the contract carrying charge plus any surcharge established by the cooperative and approved by HUD. If the cooperative has not received HUD approval of a plan for surcharging its over-income members, the market carrying charge equals 110% of the contract carrying charge.</li> </ol>
<b>Minimum Rent</b>	<p>The lowest total tenant payment permitted for tenants receiving Section 8 assistance. The minimum rent is \$25 and is used when 30% of adjusted monthly income and 10% of gross monthly income and the welfare rent (where applicable) are all below \$25. The minimum rent covers the tenant's contribution for rent and utilities.</p>
<b>Mixed Family</b>	<p>A family whose members include those with citizenship or eligible immigration status and those without citizenship or eligible immigration status. <i>[24 CFR 5.504]</i> (See also Prorated Assistance.)</p>
<b>National</b>	<p>A person who owes permanent allegiance to the United States; for example, as a result of birth in a United States territory or possession. <i>[24 CFR 5.504]</i></p>
<b>Near-Elderly family</b>	<p>A family whose head, spouse, or sole member is a person who is at least 50 years of age, but below the age of 62; two or more persons who are at least 50 years of age, but below the age of 62, living together; or one or more persons who are at least 50 years of age, but below the age of 62, living with one or more live-in aides. <i>[24 CFR 5.403]</i></p>
<b>Noncitizen</b>	<p>A person who is neither a citizen nor a national of the United States. <i>[24 CFR 5.504]</i></p>
<b>Nonelderly Disabled (Handicapped<sup>1</sup>) Family</b>	<p>[Also appears in Definition I – Nonelderly Disabled (Handicapped) Family in Figure 3-6.]</p> <p>A disabled (handicapped<sup>1</sup>) family in which the head of the family (and spouse, if any) is less than 62 years of age at the time of the family's initial occupancy of a project. <i>[24 CFR 891.505]</i></p>

**Operating Rent (PRAC)**

The total of the contract rent plus the utility allowance. If there is no utility allowance, contract rent equals operating rent. It is the total monthly cost of housing an eligible family.

**Other Person Under the Tenant's Control**

The person, although not staying as a guest in the unit, is, or was at the time of the activity in question, on the premises because of an invitation from the tenant or other member of the household who has express or implied authority to so consent on behalf of the tenant. Absent evidence to the contrary, a person temporarily and infrequently on the premises solely for legitimate commercial purposes is not under the tenant's control. *[24 CFR 5.100]*

**PAC (Project Assistance Contract)**

The contract entered into by the borrower and HUD setting forth the rights and duties of the parties with respect to the project and the payments under the PAC. See paragraph 1-3 of this handbook for further description. *[24 CFR 891.655]*

**\*\*Parents**

For purposes of the Section 8 student eligibility restrictions, and consistent with long-standing HUD policy regarding eligibility for the Section 8 programs, means the biological or adoptive parents, or guardians (e.g., grandparents, aunt/uncle, godparents, etc.), or such other definition as may be adopted by the PHA, Owner, or Manager through appropriate amendment to its admissions policies.\*\*

**Person with Disabilities** [as defined for Civil Rights Protections]

**[NOTE:** The Fair Housing Act, Section 504 of the Rehabilitation Act of 1973, and the Americans With Disabilities Act and their implementing regulations, define an individual or person with a disability in virtually the same language. Section 504's definition of disability (handicap) is found at 24 CFR 8.3. The Fair Housing Act definition is found at 24 CFR 100.201, and the ADA definition is found at 28 CFR 35.104.]

A person with a disability is any person who:

1. Has a physical or mental impairment that substantially limits one or more major life activities;
2. Has a record of such an impairment; or

3. Is regarded as having such an impairment.

The definition does not include any individual who is an alcoholic or drug abuser whose current use of alcohol or drugs prevents the individual from participating in the housing program or activities, or whose participation, by reason of such current alcohol or drug abuse, would constitute a direct threat to property or the safety of others.

As used in this definition, the phrase “physical or mental impairment” includes:

1. Any physiological disorder or condition, cosmetic disfigurement, or anatomical loss affecting one or more of the following body systems: Neurological; musculoskeletal; special sense organs; respiratory, including speech organs; cardiovascular; reproductive; digestive; genito-urinary; hemic and lymphatic; skin; and endocrine; or
2. Any mental or psychological disorder, such as mental retardation, organic brain syndrome, emotional or mental illness, and specific learning disabilities. The term “physical or mental impairment” includes, but is not limited to, such diseases and conditions as orthopedic, visual, speech and hearing impairments; cerebral palsy; autism; epilepsy; muscular dystrophy; multiple sclerosis; cancer; heart disease; diabetes; mental retardation; emotional illness; drug addiction; and alcoholism.
3. “Major life activities” means functions such as caring for one’s self, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning, and working.

“Has a record of such an impairment” means has a history of, or has been classified as having, a mental or physical impairment that substantially limits one or more major life activities.

“Is regarded as having an impairment” means:

1. Has a physical or mental impairment that does not substantially limit one or more major life activities but is treated by a person as constituting such a limitation;
2. Has a physical or mental impairment that substantially limits one or more major life activities, only as a result of the attitudes of others toward that impairment; or
3. Has none of the impairments defined in this section but is treated by a person as having such an impairment.

**Person with  
Disabilities [as**

defined for program  
eligibility purposes]

[Also appears as Definition E – Person with Disabilities in Figure 3-6.]

1. A person who:

- a. Has a disability, as defined in 42 U.S.C. 423;
  - 1) Inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months; or
  - 2) In the case of an individual who has attained the age of 55 and is blind, inability by reason of such blindness to engage in substantial gainful activity requiring skills or abilities comparable to those of any gainful activity in which he/she has previously engaged with some regularity and over a substantial period of time. For the purposes of this definition, the term blindness, as defined in section 416(i)(1) of this title, means central vision acuity of 20/200 or less in the better eye with use of a correcting lens. An eye which is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees shall be considered for the purposes of this paragraph as having a central visual acuity of 20/200 or less.
- b. Is determined, pursuant to HUD regulations, to have a physical, mental, or emotional impairment that:
  - 1) Is expected to be of long-continued and indefinite duration;
  - 2) Substantially impedes his or her ability to live independently; and
  - 3) Is of such nature that the ability to live independently could be improved by more suitable housing conditions; or
- c. Has a developmental disability, as defined in Section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001(8)), i.e., a person with a severe chronic disability that
  - 1) Is attributable to a mental or physical impairment or combination of mental and physical impairments;
  - 2) Is manifested before the person attains age 22;
  - 3) Is likely to continue indefinitely;

- 4) Results in substantial functional limitation in three or more of the following areas of major life activity:
    - a) Self-care,
    - b) Receptive and expressive language,
    - c) Learning,
    - d) Mobility,
    - e) Self-direction,
    - f) Capacity for independent living, and
    - g) Economic self-sufficiency; and
  - 5) Reflects the person's need for a combination and sequence of special, interdisciplinary, or generic care, treatment, or other services that are of lifelong or extended duration and are individually planned and coordinated.
2. Does not exclude persons who have the disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome;
  3. For purposes of qualifying for low-income housing, does not include a person whose disability is based solely on any drug or alcohol dependence; and
  4. Means person with disabilities (individual with handicaps)<sup>1</sup> as defined by 24 CFR 8.3 (Section 504), for purposes of reasonable accommodation and program accessibility for persons with disabilities. [24 CFR 5.403]

**Person with  
Disabilities  
(Handicapped person)<sup>1</sup>**

[as defined for program  
eligibility purposes]

[Also appears in Definition H – Person with a Disability (Handicapped Person) in Figure 3-6.]

A person with disabilities means:

1. Any adult having a physical, mental, or emotional impairment that is expected to be of long-continued and indefinite duration, substantially impedes his or her ability to live independently, and is of a nature that such ability could be improved by more suitable housing conditions.
2. A person with a developmental disability, as defined in section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001(8)), i.e., a person with a severe chronic disability that:

- 
- a. Is attributable to a mental or physical impairment or combination of mental and physical impairments;
  - b. Is manifested before the person attains age 22;
  - c. Is likely to continue indefinitely;
  - d. Results in substantial functional limitation in three or more of the following areas of major life activity:
    - (1) Self-care;
    - (2) Receptive and expressive language;
    - (3) Learning;
    - (4) Mobility;
    - (5) Self-direction;
    - (6) Capacity for independent living;
    - (7) Economic self-sufficiency; and
  - e. Reflects the person's need for a combination and sequence of special, interdisciplinary, or generic care, treatment, or other services that are of lifelong or extended duration and are individually planned and coordinated.
3. A person with a chronic mental illness, i.e., person who has a severe and persistent mental or emotional impairment that seriously limits his or her ability to live independently, and whose impairment could be improved by more suitable housing conditions.
  4. Persons infected with the human acquired immunodeficiency virus (HIV) who are disabled as a result of infection with the HIV are eligible for occupancy in the Section 202 projects designed for the physically disabled, developmentally disabled, or chronically mentally ill depending upon the nature of the person's disability.

**NOTE:** A person whose sole impairment is alcoholism or drug addiction (i.e., who does not have a developmental disability, chronic mental illness, or physical disability that is the disabling condition required for eligibility in a particular project) will not be considered to be disabled for the purposes of the Section 202 and Section 811 programs. [24 CFR 891.305 and 891.505]

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<b>Pet Deposit</b>	<p>An owner may require tenants who own or keep pets in their units to pay a refundable pet deposit.</p> <p><b>NOTE:</b> For complete information on pet deposits see 24 CFR 5.318.</p>
<b>Physical Disability</b>	<p>A physical impairment which (A) is expected to be of long-continued and indefinite duration, (B) substantially impedes his or her ability to live independently, and (C) is of such a nature that such ability to live independently could be improved by more suitable housing conditions.</p>
<b>PRAC (Project Rental Assistance Contract)</b>	<p>The contract entered into by the owner and HUD setting forth the rights and duties of the parties with respect to the project and the payments under the PRAC. PRAC is used for Section 202 and Section 811 projects. See paragraph 1-3 of this handbook for further description. <i>[24 CFR 891.105]</i></p>
<b>PRAC Operating Rent</b>	<p>See Operating Rent (PRAC).</p>
<b>Preferences</b>	<p>Established criteria used to determine the order applicants are selected from the waiting list for housing assistance or an assisted housing unit. Preferences may be established by federal law, HUD regulations, State or local law, or written owner policy. <i>[24 CFR 5.601; 5.655; 236.715; 880.603; 880.612a; 881.601; 883.701; 884.214; 884.223a; 886.132; 886.337; 886.329a; 891.230; 891.750]</i></p>
<b>Preliminary Application</b>	<p>An abbreviated application form that is used by some owners when the waiting time for an available unit is extensive and requires only enough information to assess apparent program eligibility, place the applicant on a waiting list, and contact the applicant when a unit becomes available or additional information is required.</p>
<b>Premises</b>	<p>The building or complex or development in which the public or assisted housing dwelling unit is located, including common areas and grounds. <i>[24 CFR 5.100]</i></p>
<b>Prohibited Bases</b>	<p>Civil rights statutes establish the demographic categories by which discrimination is prohibited. HUD refers to these categories as “prohibited bases.” For instance, under the Fair Housing Act, the prohibited bases are race, color, religion, sex, national origin, familial status, and disability. It is more inclusive and explanatory than the term “protected classes,” because it does not categorize people into sets of classes (e.g., male, female, White, Black, Asian, Native American, Pacific Islander, Hispanic, Non-Hispanic, Christian, Jewish, Muslim, Buddhist).</p>

**Project Assistance Payment**

The payment made by HUD to the borrower for assisted units as provided in the PAC. The payment is the difference between the contract rent and the tenant rent. An additional payment is made to a family occupying an assisted unit in an independent living complex when the utility allowance is greater than the total tenant payment. A project assistance payment, known as a "vacancy payment," may be made to the borrower when an assisted unit (or resident space in a group home) is vacant, in accordance with the terms of the PAC. [24 CFR 891.655]

**Project Rental Assistance Payment**

The payment made by HUD to the owner for assisted units as provided in the PRAC. The payment is the difference between the total tenant payment and the HUD-approved per-unit operating expenses, except for expenses related to items not eligible under design and cost provisions. An additional payment is made to a household occupying an assisted unit when the utility allowance is greater than the total tenant payment. A project rental assistance payment, known as a "vacancy payment," may be made to the owner when an assisted unit is vacant, in accordance with the terms of the PRAC. [24 CFR 891.105]

**Prorated Assistance**

Partial rental assistance, or reduced housing assistance payments received by mixed families. In mixed families, the level of assistance is calculated at the ratio of eligible family members to ineligible family members.

**Protected Classes**

Demographic categories of persons established by civil rights statutes against whom discrimination is prohibited. (See also Prohibited Bases.)

**\*\*Public Housing Agency (PHA)**

Any State, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) which is authorized to engage in or assist in the development or operation of public housing; Defined in Section 3 of the United States Housing Act of 1937 (42 U.S.C. 1437 a (b)(6)).

PHAs include Performance-based Contract Administrators (PBCAs) and State Housing Finance Agencies (HFAs).\*\*

**Qualified Persons with Disabilities (Individual with Handicaps)<sup>1</sup>**

An individual with disabilities (handicaps)<sup>1</sup> who meets the essential eligibility requirements for participation in, or receipt of benefits from, that program or activity. "Essential eligibility requirements" include stated eligibility requirements such as income as well as other explicit or implicit requirements inherent in the nature of the program or activity, such as requirements that an occupant of multifamily housing



be capable of meeting the recipient's selection criteria and be capable of complying with all obligations of occupancy with or without supportive services provided by persons other than the recipient. For example, a chronically mentally ill person whose particular condition poses a significant risk of substantial interference with the safety or enjoyment of others or with his or her own health or safety in the absence of necessary supportive services may be "qualified" for occupancy in a project where such supportive services are provided by the recipient as part of the assisted program. The person may not be "qualified" for a project lacking such services. *[Relevant language excerpted from 24 CFR 8.3]*

**RAP (Rental Assistance Payment)**

A rental assistance subsidy program established by the Housing and Community Development Act of 1974 to provide additional rental assistance subsidy to project owners on behalf of very low-income tenants. RAP was available only to Section 236 projects and was the predecessor to the project-based Section 8 program.

**Recertification Anniversary Date**

Generally, the recertification anniversary date is the first day of the month a tenant moved into a project receiving HUD assistance. As long as an owner processes an annual recertification according to the procedures and deadlines required in Chapter 7, changes in the TTP, tenant rent, and assistance payment take effect on the recertification anniversary date.

**Recipient (Section 504)** Any State or its political subdivision, any instrumentality of a State or its political subdivision, any public or private agency, institution, organization, or other entity, or any person to which federal financial assistance is extended for any program or activity directly or through another recipient, including any successor, assignee, or transferee of a recipient, but excluding the ultimate beneficiary of the assistance. An entity or person receiving housing assistance payments from a recipient on behalf of eligible families under a housing assistance payments program or a voucher program is not a recipient or subrecipient merely by virtue of receipt of such payments. *[24 CFR 8.3]*

**Remaining Member of a Tenant Family**

See paragraph 3-15 for a discussion of the eligibility of a remaining member of a tenant family.

**Rent Supplement**

A project-based assistance program for mortgages insured by HUD. These contracts were available to Section 221(d)(3) BMIR, Section 231, Section 236 (insured and noninsured), and Section 202 projects for the life of the 40-year mortgage. The program was suspended under the housing subsidy moratorium of January 5, 1973. Owners of insured projects with Rent Supplement were allowed to convert to project-based Section 8 assistance.

**Residency Preference**

A preference for admission of persons who reside in a specified geographic area ("residency preference area"). [24 CFR 5.655 (c)(1)(ii)]

**Rural Housing Service (RHS)**

U.S. Department of Agriculture, Rural Housing Services.

**Screening**

A review of an applicant's history to identify patterns of behavior that, if exhibited at the assisted housing development, would make the applicant an unsuitable tenant. Screening criteria may include consideration of drug-related or criminal activity, tenancy, credit and rent payment history, or other behaviors that may affect the rights of other residents and management.

**Section 504**

Section 504 of the Rehabilitation Act of 1973, as amended, 29 U.S.C. 794, as it applies to programs or activities receiving Federal financial assistance. [24 CFR 8.3]

**Section 8**

The housing assistance payments program that implements Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f note). [24 CFR 891.505]

**Security Deposit**

A payment required by an owner to be held during the term of the lease (or the time period the tenant occupies the unit) to offset damages incurred due to the actions of the tenant. Such damages may include physical damage to the property, theft of property, and failure to pay back rent. Forfeiture of the deposit does not absolve the tenant of further financial liability.

**Service Animals**

See Assistance Animals.

**Service Bureaus**

These organizations prepare:

1. Monthly subsidy voucher facsimiles based on the 50059 data requirements, and
2. Approved special claims and transmit them to the user's Contract Administrator or TRACS for processing and payment.

Otherwise, the service bureau will follow instructions received from HUD or the Contract Administrator on special claim payments. In instances where the software being used to double-check calculations before transmission discovers errors in the 50059 data requirements provided, these organizations print out revised 50059 data requirements and return the revised documentation to their sites for appropriate action.

Service bureaus may provide their users with the monthly benefit history reports used in annual recertifications, as well as returning

TRACS messages received from the Contract Administrator or TRACS.

**NOTE:** Service bureaus are organizations that provide a number of different services and are paid a fee to do so. Their users (owners and management agents) are responsible for the verification of information contained on the 50059 facsimiles they provide to their service bureau. The bureaus transmit tenant certifications to TRACS or to Contract Administrators using TRACS-compliant software. If a service bureau determines that data elements provided by the site are incorrect, the bureau will transmit the correct data to TRACS and return a correct facsimile to the sites for signature by the household and management and for copying and filing in the tenant file.

**\*\*Student**

Student for Section 8 eligibility purposes means all students enrolled either full-time or part-time at an institution of higher education.\*\*

**\*\*Student Financial Assistance**

For the Section 8 program, student financial assistance included in annual income is any financial assistance that a student receives in excess of tuition (e.g., athletic and academic scholarships) and that the student receives (1) under the Higher Education Act, (2) from private sources, or (3) from an institution of higher education as defined by the Higher Education Act of 1965. Financial assistance does not include loan proceeds.

a. Higher Education Act Assistance under the Higher Education Act of 1965 includes Pell Grants, Federal Supplement Educational Opportunity Grants, Academic Achievement Incentive Scholarships State Assistance Partnership Program, the Robert G. Byrd Honors Scholarship Program, and Federal Work Study programs.

b. Assistance from Private Sources is non-governmental sources of assistance, including assistance that may be provided to a student from parent, guardian or other family member, whether residing within the family in the section 8 assisted unit or not, and from other persons not residing in the unit.

c. Assistance from an Institution of Higher Education requires reference to the particular institution and the institution's listing of financial assistance. (See definition for Institution of Higher Education.)

d. Loans are not financial assistance, and, therefore, the loan programs cited in the Higher Education Act of 1965 (the Perkins, Stafford and Plus loans) are not included in the term "financial assistance" in determining student eligibility for section 8 assistance.\*\*

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<b>Tenant</b>	An individual or a family renting or occupying an assisted dwelling unit. <i>[24 CFR 5.504]</i>
<b>Tenant Consultation</b>	Tenants or tenant representatives may submit written comments on the proposed pet rules to the project owner by the date specified in the notice of proposed rules. In addition, the owner may schedule one or more meetings with tenants during the comment period to discuss the proposed rules. Tenants and tenant representatives may make oral comments on the proposed rules at these meetings. This process is called Tenant Consultation. <i>[24 CFR 5.353]</i>
<b>Tenant Rent</b>	<p>The amount payable monthly by the family as rent to the owner.</p> <ol style="list-style-type: none"><li>1. Where all utilities (except telephone) and other essential housing services are supplied by the owner, tenant rent equals total tenant payment.</li><li>2. Where some or all utilities (except telephone) and other essential housing services are not supplied by the owner, tenant rent equals total tenant payment less the utility allowance.</li></ol>
<b>Tenant Selection Plan</b>	A formal written policy statement, developed by the owner and available to the public, that clearly states the procedures and criteria the owner will consistently apply in drawing applicants from the waiting list, screening for suitability for tenancy, implementing income targeting requirements, and offering housing assistance and/or assisted housing units. The Tenant Selection Plan also includes policies applied to residents of the property such as how unit transfers are carried out.
<b>Tenant with a Disability</b>	See the three definitions of Person with Disabilities.
<b>Termination of Assistance</b>	When a tenant fails to comply with certain HUD program requirements, the owner, under agreements with HUD, is obligated to terminate the assistance provided by HUD on behalf of that tenant.
<b>Termination of Tenancy</b>	Termination of tenancy occurs when a tenant violates specific provisions of the lease agreement, and the owner notifies the tenant that he/she no longer has the right to occupy the unit as a result of lease violations. The HUD model leases have very specific conditions under which tenancy may be terminated and procedures that must be followed during the termination process. (See model leases in Appendix 4 and guidance in Chapter 8, Termination.)

<b>Title VI-D</b>	Title VI, Subtitle D of the Housing and Community Development Act of 1992 authorizes owners of certain HUD multifamily assisted developments to elect to serve elderly families, to limit the numbers of disabled families residing in a project or to adopt preferences for elderly families, depending upon the type of project and whether certain requirements are met. See paragraph 2-10 for a discussion on the applicability of this Act.
<b>Total Tenant Payment</b>	The total amount the HUD rent formula requires the tenant to pay toward the gross rent. Total Tenant Payment is computed in accordance with the formula in Exhibit 5-9.
<b>Total Tenant Payment (Resident Rent Payment)</b>	<p>Each family or individual who receives PRAC subsidy must make a total tenant payment of 30% of adjusted income, 10% of gross income, or Welfare Rent, whichever is greater, for housing costs, i.e., rent and utilities. In some cases, a resident's monthly rent payment may exceed the PRAC operating rent. As with HAP contracts:</p> <ol style="list-style-type: none"> <li>1. The monthly amount a resident pays the owner should be the Total Tenant Payment less any HUD-approved utility allowance the tenant pays; and</li> <li>2. The resident may receive a utility reimbursement from the owner if the resident's Total Tenant Payment is less than the HUD-approved utility allowance.</li> </ol>
<b>**Tuition</b>	Tuition shall have the meaning given this term by the institution of higher education in which the student is enrolled.**
<b>Unauthorized Occupant</b>	A person who, with the consent of a tenant, is staying in the unit, but is not listed on the lease documents or approved by the owner to dwell in the unit. An owner must follow State or local law regarding an unauthorized occupant and establish an equitable and consistent policy and incorporate that policy into the house rules.
<b>Unearned Income</b>	Income received that is not wages, tips, or other compensation for work performed.
<b>Unintentional Program Violation</b>	An error or oversight by the tenant that does not involve deliberate, intentional deceit. (See also Fraud.)
<b>Unit Transfer</b>	With owner approval, a tenant moves from one unit to another unit within the same property.

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<b>Utility Allowance</b>	HUD's or the Contract Administrator's estimate of the average monthly utility bills (except telephone) for an energy-conscious household. This estimate considers only utilities paid directly by the tenant. If all utilities are included in the rent, there is not a utility allowance. Utility allowances vary by unit type and are listed on the project's rent schedule or HAP contract.
<b>Utility Allowance (PRAC)</b>	This is an amount equal to the estimate made or approved by HUD of the monthly costs of a reasonable consumption of utilities (except telephone) for the unit by an energy-conservative household of modest circumstances, consistent with the requirements of a safe, sanitary, and healthful living environment. A utility allowance is used in cases where the cost of utilities (except telephone) is the responsibility of the household and is not included in the tenant payment.
<b>Utility Reimbursement</b>	The amount, if any, by which the utility allowance for a unit exceeds the total tenant payment for the family occupying the unit.
<b>Very Low-Income Family</b>	A very low-income family is a family whose annual income does not exceed 50 percent of the area median income, as determined by HUD, with adjustments for smaller and larger families. <i>[24 CFR 5.603]</i>
<b>**Veteran</b>	<p>The definition for veteran, as used by the Department of Veterans Affairs, is codified at 36 U.S.C. 101(2), may be used when determining a student's eligibility for Section 8 assistance. Since use of this definition is widespread in other federal programs affecting veterans, PHAs, Owners and Managers may find it useful to adopt this definition for purposes of administering the student eligibility restrictions.</p> <p>Definition of veteran from 38 U.S.C. 101(2): The term "veteran" means a person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable.**</p>
<b>Violent Criminal Activity</b>	Any criminal activity that has as one of its elements the use, attempted use, or threatened use of physical force substantial enough to cause, or be reasonably likely to cause, serious bodily injury or property damage. <i>[24 CFR 5.100]</i>

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<b>Waiting List</b>	A formal record of applicants for housing assistance and/or assisted housing units that identifies the applicant's name, date and time of application, selection preferences claimed, income category, and the need for an accessible unit. The waiting list may be kept in either a bound journal or a computer program. Whichever method is used to maintain the waiting list, the owner must establish a method of documenting the appropriate selection of applicant names from the list.
<b>Welfare Assistance</b>	Welfare or other payments to families or individuals, based on need, that are made under programs funded, separately or jointly by the Federal, State, or local government. [24 CFR 5.603]
<b>Welfare Rent</b>	In those States in which the welfare grant is based on the actual amount a family pays for shelter and utilities, the welfare rent is the maximum amount permitted under welfare rule for rent and utilities.

<sup>1</sup> The term *handicapped* appears in a number of regulatory definitions that have not yet been updated to reflect current statutes. In this handbook, HUD replaced *handicapped* with the term *disabled*, *disability*, or *impairment* to reflect current statutes. The parenthetical reference to handicapped indicates that the term handicapped has been replaced with disabled, disability, or impairment in that definition.